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TOP CORRESPONDENT BANKS — TABLES ON P. 23

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FEATURE SECTION

CORRESPONDENT BANKING: Mergers, competition from the Fed, and changes in the kinds of service needed by thrifts are all affecting correspondent banking. Overview on **Page 9.**

Today

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Banks are getting closer and closer to bailing out of the program.

Craig Ulrich, general counsel for the Consumer Bankers Association, on the guaranteed student loan program. [Page 1]

Random Thoughts

By SANFORD ROSE

The following consists of excerpts from a talk on the "Implications of Interest Rate Movements on Bank Profitability," delivered by the author at the fall executive seminar of Golembe Associates Inc. on Nov. 19, 1987.

Let us postulate a model of economic behavior that has prevailed in the past and may, unfortunately, continue to prevail in the future. Despite considerable tinkering, fiscal policy does not turn sufficiently restrictive to moderate overconsumption, and monetary policy is not equal to the task of taking up the slack. Monetary policy, attuned to the exigencies of election-time politics, stays easy.

Then the job of curbing overconsumption remains with the foreign sector. Foreigners continue to bid down the value of the dollar, which raises interest rates.

More precisely, as the fall in the value of the dollar pushes up the prices of imports and import substitutes, the real value of the public's cash balances declines. To rebuild the worth of their holdings, people add to their bank balances, even if that means reducing goods pur-

Random Thoughts: Page 4 ➞

Deficit Reduction Law Makes Loans To Students Less Profitable for Banks

By ROBERT M. GARSSON
Washington Bureau

WASHINGTON — The spending cuts ordered on Friday by President Reagan under the Gramm-Rudman-Hollings deficit reduction law make guaranteed student loans a little less profitable for banks.

Already, the spreads guaranteed banks had been reduced by 25 basis points, or a quarter of a percentage point, in last year's budget. Now, they have been cut again by a quarter point.

"Banks are getting closer and closer to bailing out of the program," said Craig Ulrich, general counsel for the Consumer Bankers Association, a trade group for banks and thrifts involved in retail lending. Now, the process is likely to accelerate.

"There's been some fallout already," he said. "Marine Midland has significantly reduced its marketing efforts by about 60% and transferred the savings to other departments."

The across-the-board Gramm-Rudman cuts, or sequestration, as it is known, would be rescinded if the deficit reduction package that congressional and White House negotiators agreed to on Friday is enacted.

But the student loan cuts, which took effect last month under guidelines issued by the Department of Education in anticipation of the sequestration order, are likely to be accepted in the deficit reduction package, Mr. Ulrich warned.

On Friday, the White House and congressional leadership agreed to a two-year, $76 billion package of tax hikes and spending cuts. Although a number of details were not spelled out, particularly on the revenue side, it is widely expected that any tax package Congress approves will contain a number of provisions affecting banks.

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S&L Deposits At US Banks Drop by 9%

Thrifts Increasingly Use Fees to Pay for Services

By L. MICHAEL CACACE

NEW YORK — Thrift correspondent balances at commercial banks — which grew by almost 60% from 1984 to 1986 — fell by 9% this year, according to a survey by the *American Banker*.

A major factor in the decline is that fees are rapidly taking the place of compensating balances as thrift's main form of payment for correspondent services.

Increased competition from regional Federal Home Loan banks is another factor in the decline. There has been growth in the check-clearing services that the regional Federal Home Loan banks provide to thrifts.

Another new provider of thrift correspondent services are thrifts themselves. Some of the larger thrifts have begun to develop their own networks to provide correspondent services to smaller thrifts.

Therefore, the decline in balances does not signal an end to the growth in correspondent services the thrift industry demands. Rather, the decline reflects the dynamic changes occurring

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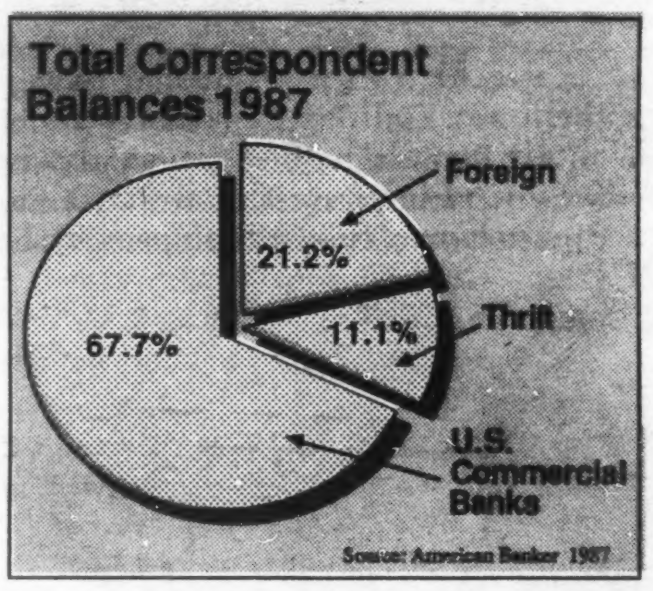
Total Correspondent Balances 1987



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RANDOM THOUGHTS

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chases or selling bonds, which raises interest rates. Thus the depreciation does its job and overconsumption is reduced.

If the Federal Reserve does nothing to blunt these effects, there need be no inflationary upsurge. Some prices — those of internationally traded goods — rise by more than the inflation rate, while the decline in effective demand causes other prices to rise by less than the inflation rate or leads to actual price declines. But if the Fed resists the rise in interest rates by providing excess reserves, the stage is set for an inflationary revival. Short rates may stay low temporarily, but soon begin moving up.

Given the assumption of higher interest rates and a pickup in inflation, what is the effect on bank profitability and especially on net interest earnings? Superficially, the answer would seem to depend on whether banks are asset sensitive or liability sensitive.

If the duration of the assets is less than that of the liabilities, rising rates will increase net interest earnings and declining rates will pinch them. This statement abstracts from changes in spread relationships — shifts in the basis. It is possible for institutions to be asset sensitive and still not benefit from rising rates because of a deteriorating spread relationship between asset and liability rates.

□ □ □

More importantly, it is not easy to determine whether one is asset or liability sensitive. Information derived from the cumulative or periodic gap is notoriously treacherous. Many institutions thought they were liability sensitive in 1986, but margins declined as rates fell.

One reason was that as rates fell, mortgage prepayments speeded up. An unforeseen bulge in cash inflows had to be reinvested in a declining rate environment. Otherwise put, mortgage prepayments pushed the duration of the assets below that of the funding liabilities.

Many institutions still report negative gaps, and some analysts argue that their postures are even more liability sensitive than is revealed by these untrustworthy gap numbers. The reason is that, in the desire for liquidity, banks have raised a lot of medium-term money. But, expecting declining rates, they promptly swapped out — that is, they did reverse interest swaps, agreeing to receive a fixed payment and make a floating one, which has the effect of reducing the liability duration and rendering the institution even more exposed to the threat of rising rates than is implied by the published numbers.

Nevertheless there is a large group of banks — particularly those with good loan demand and retail deposits — that are more likely to be asset than liability sensitive, regardless of the influence of swaps or what the gap numbers suggest. As far as I can gather, most banks put prime-based assets and MMDA deposits into the one-to-30-day gap bucket. Nominally, this is correct. Effectively, it is erroneous.

The prime is probably still around a 30-day rate. But the duration of the MMDA, theoretically very short, is in statistical reality quite a bit longer — outside of New York, that is. Indeed, its duration is probably several months, meaning that banks which fund prime-based assets with the MMDA are asset sensitive.

Since the prime-MMDA relationship tends to drive short-term earnings, I suspect that most regional, retail-oriented institutions benefit from a rise in rates. That is, their margins benefit. Whether overall earnings go up is another matter. If the institution depends heavily on, say, mortgage banking revenue, a rise in rates could severely weaken it by drying up originations, although the increasing value of free escrow funds might tend to cushion the shock.

□ □ □

If rates continue rising for a reasonable period of time, nearly all banks, even those that are liability sensitive in the short run, stand to benefit — that is, their net interest earnings will improve. The reason is that banks are naturally asset sensitive, in that they have more interest-bearing assets than interest-bearing liabilities. There is thus the potential of indexing more of the left side than the right side of the balance sheet.

Given time, bank assets tend to become more "real" — that is, they become inflation-adjusted claims on customers. Bank liabilities tend to remain more "nominal." That is especially true of demand deposits and capital, which do not pay any explicit interest, but which fund assets that are interest-bearing and whose rates can, in principle, be fully adjusted to the increased inflation.

True, when inflation heats up, the cost of servicing and compensating demand depositors also rises, adversely affecting the return on assets, though not necessarily the margin. But the adjustment to increasing rates tends to lag and be very incomplete.

Thus when rates move up for an extended period of time, the accounting earnings of banks increase. A recent study of the Federal Reserve Bank of New York pointed out that during the period 1977 to 1984, when rates were for the most part on the rise, the effect of the interest rate climate was to increase bank reported net interest margins by far more than the impact of deregulation and money fund competition weakened those margins.

If rates should rise for the next few years, the impact on net interest margins would likely be even more positive because deregulation is probably more or less complete, and demand deposits are now at an irreducibly low level.

□ □ □

If the foregoing is correct, why is it that the stock market has always bid down the price of bank equities whenever rates rose and inflation impended? The answer seems to be that although nominal earnings are increasing, real after-tax returns may be falling.

In inflationary environments, the required rate of return moves up, so banks must be sufficiently asset sensitive to raise nominal earnings by more than the rise in required returns. Otherwise their stock valuations will at best stagnate. The tax system, to the extent that it is not indexed, makes this quite difficult to accomplish.

Suppose a bank had $100 in interest-bearing assets, $90 in interest-bearing liabilities, and $10 in equity. Suppose further that inflation was zero, and asset yields were 6% while liability rates were 5%. Profits would be $1.50 ($6 on assets minus the $4.50 liability cost). The return on equity, both nominal and real, would be 15%.

Now assume 5% inflation, reflected immediately in both asset and liability rates. Asset yields go to 11% and liability rates to 10%.

Nominal profits rise from $1.50 to $2 because the bank is asset sensitive by the amount of its $10 equity and so reprices more assets than liabilities in a rising rate environment. The nominal return on equity rises to 20%. But the 5% inflation has eroded the value of the $10 equity by 50 cents. Hence the real return on equity is $2 minus 50 cents divided by the initial $10, or 15%.

So, assuming modest asset sensitivity, earnings rise but inflation wipes out that increase and just preserves the real return on equity. Now let's incorporate taxes which are levied on all earnings, whether nominal or real.

If the $2 in nominal bank earnings are taxed at 20%, after-tax profits are $1.60. The nominal return on equity falls from 20% to 16%, and the real after-tax return drops all the way to 11% — $1.60 minus 50 cents divided by the $10 equity. The interaction of inflation and taxes has effectively reduced bank returns.

□ □ □

If equity values are to be preserved in a period of rising rates, financial institutions must be very asset sensitive indeed. Thrifts can probably never attain this rate-sensitivity posture because they don't have demand deposits. Banks in theory can, provided they can maintain virtually complete indexation of their asset yields while simultaneously preventing the demand depositor from indexing his return.

However, even if banks can achieve this posture, there is much doubt that they would. For example, a major California bank, avowedly an asset-sensitive institution, has calculated the degree of increased asset sensitivity that would be necessary to insulate its stock price from inflationary pressures.

It finds that the increase would be very great. Since the bank is unwilling to expose itself so sharply to a decline in nominal earnings if rates fall, it will probably not attempt to alter its sensitivity posture to the degree required. Hence if rates resume their rise, nominal earnings will go up, but the stock price may still go down.

To recapitulate: Leaving aside its effects on credit quality, which are probably positive in the short run and negative in the long run, inflation raises the earnings of banks in an accounting sense because they have more interest-bearing assets than interest-bearing liabilities. Whether banks can benefit in real terms depends on the relationship between the volume of fully adjustable assets and liabilities

In order to raise nominal profits sufficiently to offset the effects of both higher required rates of return and augmented taxes, banks would have to materially increase the ratio of real assets to real liabilities.

Whether they can do so is problematic, given the existence of potentially capped or incompletely indexed asset yields. And even if they could do so, they might not choose to because of the threat of falling nominal profits if inflation and interest rates change course and decline. ■

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Please direct them to the editor, William Zimmerman, American Banker, One State Street Plaza, New York, N.Y. 10004, and please include a daytime telephone number. Letters may be edited for reason of space and clarity.

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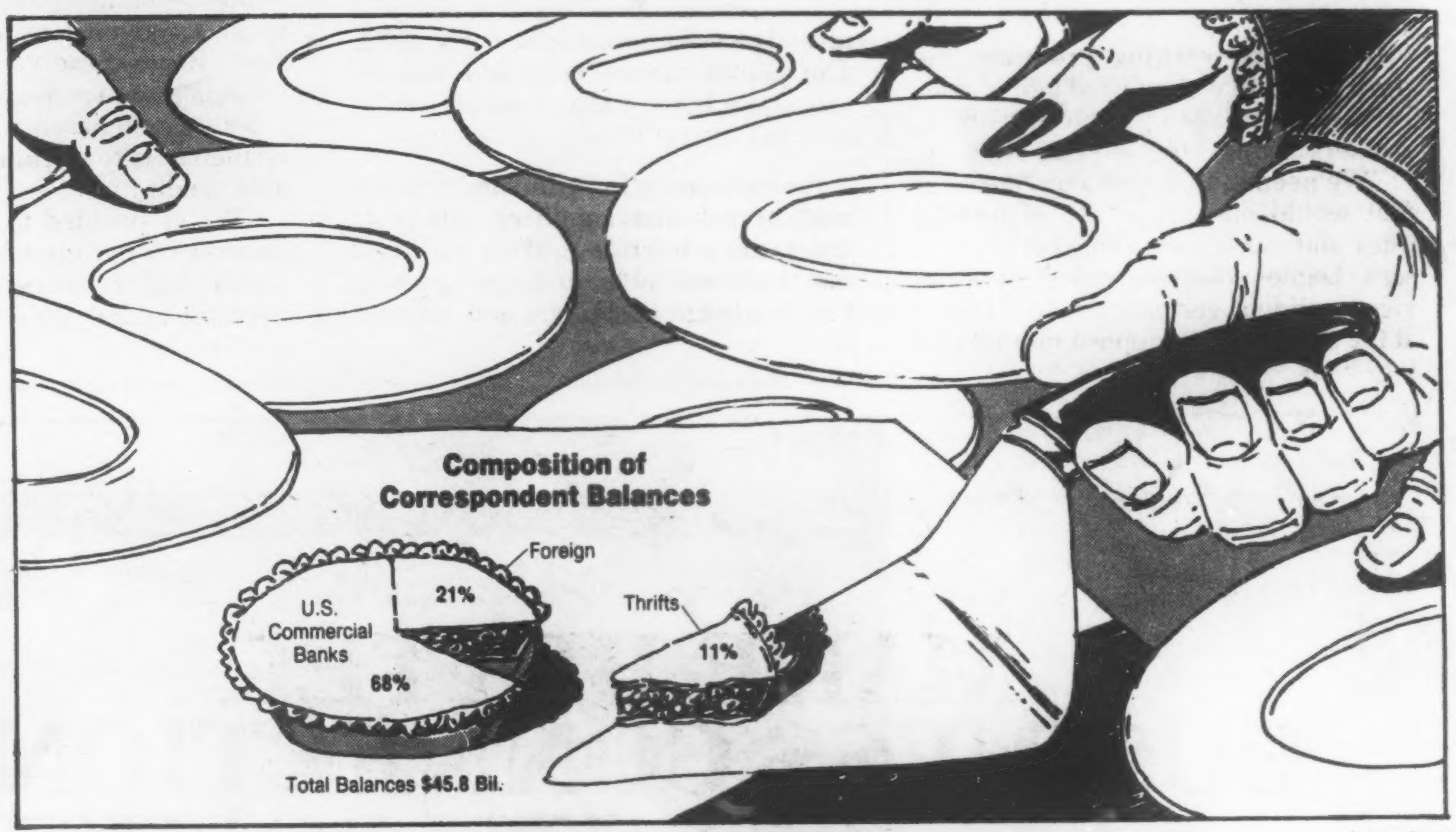

Composition of Correspondent Balances
Foreign
21%
U.S. Commercial Banks
68%
Thrifts
11%
Total Balances $45.8 Bil.

James Jones

CORRESPONDENT BANKING

Not Enough To Go Around

By Suzanne Christy

WHEN ONE OF THE MOST INFLUential banking associations in the nation decides to change the name of its correspondent banking committee, it should serve as a clue that the once-sacred correspondent cow is undergoing a metamorphosis.

The transformation is particularly apparent to the American Bankers Association executive members, who once served on the former correspondent banking committee and now meet under the name of financial institutions division. Yet, points out an ABA spokesperson, "All the members are really correspondent bankers."

These renamed correspondents are not exactly feasting in a thriving market. While the emergence of superregional institutions is creating some large and hungry departments, increasing mergers also mean fewer medium-sized banks — typically the largest users of correspondent services. At the same time the upstream players are growing fatter, the respondent market is shrinking and doling out thinner slices of the budget for correspondents.

Adding fuel to the fire, correspondent departments have not escaped unscathed in this period of constriction, when companies across the board are trying to stem the flow of red ink. In many cases, U.S. correspondents are discovering that a foreign bank will process the big deals, such as providing letters of credit for imports, through its own subsidiaries. That leaves only the tiny — and less profitable — transactions for U.S.-based correspondents to handle.

This trend picks up speed, say analysts, as banks continue to manage their balances even more vigorously, in the process seeking more concrete cost-benefit performance. In a story starting on page 12, consultants at Greenwich Research Associates explain how foreign banks are now tempted to "make rather than buy" various services.

Diminishing markets are not confined to foreign shores, points out Dorothy Hinchliff in her article on page 20. Once considered the fastest growing segment of the market, thrift executives are reassessing services. The electronic transfer of funds, to cite but one development, and the greatly improved communications network available to bankers and nonbankers alike have unquestionably reduced the dependence of respondents — not only on the traditional correspondent relationship, but on the usual products.

And though by no means newsbreaking, "the hysteria surrounding the Federal Reserve's ingress into the check-clearing marketplace is not letting up," says one analyst.

The shakeout that began with the Monetary Control Act of 1980, which allows the Fed to charge for check processing services it formerly offered for free, is not only continuing but spurring sharper competition and more dynamic products. In an article beginning on page 17, reporter Rob Wright examines how the federal government competes with approximately 150 private corporations, making the check processing marketplace somewhat of a national oddity.

OVERVIEW

The shuffle has reshaped more than mere departments and methods. The evolution has touched upon the actual participants themselves, many of whom face a slew of new demands. "The correspondent banker of old who shook hands, slapped backs, and bought drinks is gone," says Peter D. Crist, managing director at Russell Reynolds. "He's a dinosaur."

Account representatives and other insiders tell how they fight off extinction in Merri Rosenberg's article on page 16. Many see it as an opportunity to grow beyond their traditional markets. Newly hatched niches range from "treasury cluster" services to investment and merchant banking.

But not all old demands have been buried. In fact, some bankers claim the dollar volume of loan participations has exploded. Sales have been fueled by the flexibility the participations provide for banks that want to either increase or decrease their outstanding credits, coupled with such trends as megabuck leveraged buy-out financing.

Advice on what banks should consider before lending to other banks is offered in the American Bankers Association and Robert Morris Associates' white paper on loan guidelines. "The handshake is still the basis for relationships," explains one of the guideline's founders, "but now you have to document it."

Though faced with complex obstacles, correspondent banking is hardly obsolete. One analyst sums it up by explaining, "The zebra has just changed its stripes a bit." ■

Suzanne Christy is an assistant feature editor at the American Banker.

Superregionals Alter Way Banks Sell

Fewer customers means further turmoil in a jumbled market.

By David Satterfield

THE WORLD OF CORRESPONDENT banking, which has already undergone dramatic changes on its own in the past decade, is being further reshaped as regional banks develop into giant interstate institutions.

The emergence of superregional banking companies is rapidly changing the nation's overall financial scene, from the new signs on street-corner branches to increased competition for big corporate customers.

The transformation goes directly to the root of the industry. The creation of superregional banks is changing the way bankers serve their colleagues.

From the Southeast to Northwest, giant banking companies have recently formed as states lift barriers to interstate mergers. And analysts expect the trend to continue, with the industry consolidating even further.

In many ways, this is not good news for the traditional correspondent banking business.

More mergers mean fewer medium-size banks, which are those in the $1 billion to $10 billion asset range — the most typical users of correspondent services. This decline trickles down to mean fewer sizable customers for correspondent banking operations — further turmoil in an already jumbled

Continued on Next Page

David Satterfield is a business writer for the Miami Herald.

Continued from Previous Page

market.

The industry's consolidation is coming at the same time the Federal Reserve Bank has moved aggressively into correspondent banking, thereby compounding the challenges. On top of these factors, many thrifts and foreign banks are turning to in-house departments to handle services that were formerly farmed out.

It's Not Bleak House

But there are positive results as well. As the giant banks form, they are creating new opportunities, as well as new needs, for correspondents.

"There's no doubt the business is changing just because of shrinkage in the market," says Robert Aiken, vice president and manager of the financial institutions group for Pittsburgh National Bank, the largest bank owned by Pittsburgh-based PNC Corp. "In this business, we can't think the way we did four or five years ago, or we'll be out of it."

The way in which superregional mergers are constructed often affects the way in which correspondent departments are structured. In some situations, there are few changes after the merger; in others, there are dramatic modifications.

Banks are using various strategies in creating superregional companies. Some, such as Charlotte, N.C.-based NCNB Corp., are acquiring banks and consolidating them into the parent. Others, such as PNC and Los Angeles-based First Interstate Bancorp, are giving their affiliate banks more autonomy.

Big and Small Benefits

Bankers, however, generally agree that superregional status has had an industrywide impact on correspondent banking.

Large banks are reaping benefits called "intangibles." Simply because of the larger size and strength of superregionals, officials say it becomes easier to sell services to banks looking for a stable supplier. Likewise, small-bank executives like to be affiliated with strong, growing upstream correspondents.

"What it gives us is an intangible," explains William J. Penn, senior vice president at Providence, R.I.-based Fleet National Bank. The strategy at Fleet is to target smaller regional banks and community banks under 1.5 billion in assets. Mr. Penn says, "Bankers like to deal with other bankers who are successful. With our size and strength, we have the proven ability to do things right."

Likewise, larger size means more employees, and thus more ideas for new products, services, and marketing techniques.

"We're finding some ideas are being generated that we wouldn't have had otherwise," says George Campbell, senior vice president at NCNB Corp.

Superregionals are gaining economies-of-scale that did not exist among smaller institutions, particularly in services that rely on volume for profitability, such as check clearing. When mergers occur, bankers point out, correspondent executives attempt to find particular niches where the company can best compete.

"What it gives us is an intangible. Bankers like to deal with other bankers who are successful. With our size and strength, we have the proven ability to do things right."

Mergers also are giving correspondent bankers the opportunity to expand beyond traditional markets. By merging or acquiring more banks, correspondent bankers immediately gain new customers. And if the institutions developed are of sufficient size, some bankers are choosing to expand beyond their region.

Niches Are Necessary

Likewise, bankers are trying to develop expertise in particular areas of correspondent banking. They say they must target a certain "niche" of the market and earn a reputation as a quality provider of those specialized products or services.

The merger of Winston-Salem, N.C.-based Wachovia Corp. and First Atlanta Corp. into First Wachovia Corp. joined two banks with ambitious correspondent operations. But each bank gained the other's expertise in particular fields, and that savvy is being marketed nationwide, says William Farr, executive vice president of First Wachovia Corporate Services, a subsidiary of the holding company, which oversees the correspondent banking of both banks.

Superregionals

From the Southeast to Northwest, a sampling of the giant interstate banks that are changing the nature of correspondent banking.

	Total Corresp. Deposits ($ Mil.)
First National Bank, Boston	$530M
Sun Trust Banks Inc., Atlanta	314
Banc One Corp., Columbus	250
Bank of New England, Boston	190
National Bank, Pittsburgh	148
First Union Corp., Charlotte	104

Correspondent demand deposits on 6/30/87, including subsidiaries.

Source: American Banker

Before the merger, Wachovia had an active correspondent consulting department, while First Atlanta had a more sophisticated check-clearing operation. Today, the consulting business is used companywide and most check clearing is done through the Atlanta operation.

"We almost automatically became a bigger force," Mr. Farr says. "It was a made-in-heaven deal."

Through acquisitions, superregionals also immediately gain more customers for correspondent operations.

First Interstate Bank of California, for instance, uses its correspondent department to supply loans and investments to its affiliates throughout the West, even though most of those affiliates have their own correspondent

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operations.

"We create a lot of loans that are handed off to affiliates," says Armando Gonzalez, vice president at First Interstate.

Downstreams Seek Upstreams

Formation of superregionals is not just changing the way banks are providing products and services. It also is affecting the demands of superregionals on their upstream correspondents — which typically are money center banks headquartered in New York.

Some insiders at the money centers, such as Chase Manhattan Bank, are prepared to turn the situation around. "While [superregionals] provide more competition, they also provide opportunities," says Daniel Kane, vice president in the domestic banking division at Chase.

Mr. Kane says the flurry of large bank mergers has created a need for acquisition financing as well as merger and acquisition consulting.

> **"There's no doubt the business is changing just because of shrinkage in the market. In this business, we can't think the way we did four or five years ago, or we'll be out of it."**

"That's something that wouldn't have happened three years ago," he explains.

As superregionals have grown, some institutions have developed the need for better access to capital markets, particularly overseas markets. New York banks are gaining new customers looking for that access, Mr. Kane says.

Fleet's Mr. Penn agrees.

"The emergence of superregionals has changed the products money-center banks offer," he says, adding that though it acts as a correspondent itself, Fleet relies on its upstream banks for access to capital markets as well as back-up credit facilities.

For some banks, however, superregional status brings a degree of freedom from their upstream correspondents. Because of their larger size, some superregional bankers find it economical to develop their own capital markets operations. Not only can these operations support the bank's own needs, but they can also be marketed to smaller customers through the correspondent department.

"That's been a benefit to us and our correspondents," says Mr. Campbell at NCNB.

Correspondent banking executives at superregional institutions are eager for further deregulation of the banking industry.

If banks gain securities, real estate, or insurance powers, bankers say they will be able to increase the number of products offered to smaller banks. Because of their size and proximity to local markets, superregional executives say, further deregulation could be a boon to the correspondent business.

"With those services, the smaller banks will look to someone," says NCNB's Mr. Campbell. "And they'll look to their upstream bank." ■

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(B) Useful ☐
(C) Not Useful ☐

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Europeans Rely Less on U.S., Turning to In-House Units

Foreign banks begin to create their own subsidiaries as high technology and cost-cutting trends reshape field.

By Thomas N. Troxell Jr.

THE STEADY CONSOLIDATION that has been taking place among U.S. correspondents who provide services to banks in Europe is not only continuing, but is actually accelerating. Moreover, most signs point to a continuation of this trend over the next few years, perhaps even to the point where the existence of international correspondent banks will be the exception, and not — as they have been for so many years — the rule.

Thomas N. Troxell Jr. is a New Jersey-based financial writer.

A potpourri of factors — from an increasing emphasis on cost efficiency to technological advancements — have contributed to a decline in the number of U.S. correspondents used by European banks.

The electronic transfer of funds, to cite but one development, and the greatly improved communications network available to bankers and nonbankers alike, have unquestionably reduced the dependence of U.S. and European banks on the traditional correspondent relationship.

When one adds this factor to the decreasing profitability of the relationship and the growing emphasis on increased earnings at most U.S. banks, it is easy to understand why the whole concept of relying on correspondent banks to handle certain aspects of business is becoming not only less popular, but actually outmoded in many respects.

In fact, European banks are coming to rely more and more on their own branches and affiliates in the United States for correspondent services.

European Banks' Use of U.S. Correspondents

	1981	1986
Active Accounts	10.1%	8.2%
Principal Relationships	6.0%	5.6%

Bank's Asset Size	% Gain	% Loss	Net Change
More than $10 Bil.	20	42	-22
$5.1 to $10 Bil.	21	51	-30
$2.1 to $5 Bil.	19	47	-28
$1.0 to $2 Bil.	16	43	-27
Less than $1 Bil.	24	47	-23
Country			
Netherlands	7	71	-64
Italy	10	50	-40
Switzerland	13	46	-33
United Kingdom	15	48	-33
France	15	43	-28
Sweden	27	55	-28
Norway	18	45	-27
Germany	19	42	-23
Spain	30	43	-13
Belgium	38	44	- 6
Total Banks	20	45	-25

Source: Greenwich Associates

"European Correspondent Banking 1986," a study published by the Connecticut-based market and research firm, Greenwich Associates, shows that whereas in 1984 only 21% of the European banks used their U.S. units for one or more of the key correspondent services, such as check collection, by 1986 some 34% of those same banks were using such units either exclusively or to a greater extent than their correspondents.

The consolidation movement picked up speed as banks began to manage their balances more vigorously, in the process seeking more concrete cost-benefit performance. They have become more tempted to "make rather than buy" various correspondent services, according to the Greenwich study.

All of this, in turn, stems from stockholders' increasing cries for top-level management teams. Alan Abelson, a *Barron's* columnist, points out that "it's much more difficult being a banker these days than it used to be in the 'good old days,' when all you had to do was get up in the morning, put on your dark blue suit, and practice saying 'No' a few times in front of your mirror before you left for work." Now, bankers are subject to far more criticism and outside scrutiny.

Inevitable by-products of these evolving outside pressures have been improved earnings and a significantly greater return on assets. But a closer examination of the books has also revealed that for many, correspondent banking has been an expensive — and in many respects, relatively unprofitable — segment of banking in recent years.

The growing emphasis on "make rather than buy," which has characterized the correspondent banking business in recent years, is plainly and simply a matter of costs — and, of course, ultimately, profits. The growing tendency on the part of major American banking institutions to buy quality services and avoid credit risks has been directly responsible for the steady but modest decline that has taken place in principal relationships in the last five years, reports the Greenwich study.

At the same time, active correspondent accounts have decreased almost 20% in the last five years, with more than three-quarters of this decline taking place since 1984.

The study reveals that in recent years there has been a rapid rise in the stricter use of foreign currency balances: Dollar sight balances — bal-

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ances payable upon demand — in the United States have remained flat over the past couple of years, despite the greatly increased demand for this currency. Sterling balances have faced a similar situation.

In both the United Kingdom and the United States, the larger the European correspondent customer, the more substantial the negative change in balances has been.

Free Ride Is Over

Inevitably, the fundamental changes in the nature of the correspondent business have led to various reactions on the part of some of the other players in this game, and how they do business.

Pricing in the United States, for example, has become much more explicit, with fees as well as balance compensation not only encouraged, but actively pursued. Surprisingly enough, the growing emphasis on explicit fee payment has met with little, if any, opposition among the European banks that are being asked to pay these fees. Maybe, as one observer has mentioned, "They — the Europeans — know they've been getting what amounts to a free ride for many of their services for a long, long time."

There is a debate in the industry on the effect the Japanese are having on the field. And while the consensus seems to be that the impact is minimal, given the incredibly fast pace at which Japan is emerging as a world banking power, it would seem to be only a matter of time before the Japanese begin to exert their influence.

What exact form this move will take, however, and just how quickly it will come about, are questions still unanswered. As one industry source puts it, though, "It's only a matter of time; if the Japanese see any opportunity to make money in this area or to otherwise extend their influence over the international banking scene, you can be sure they'll move in a really big way."

Meltdown Abroad

The slow but steady decline of the importance of U.S. correspondent banks has had a somewhat mixed impact on their European clients.

By and large, reveals the Greenwich study, the effect varies according to the size of the European bank involved: 20% of the European banks over $10 billion in size report their number of active accounts increased during the 1984-86 period, while 42% say they have decreased their total number of accounts; this represents a fairly significant net decrease of some 22%.

In terms of countries, by far the largest decline during that period came in the Netherlands, where the banks surveyed report a net decrease of 64% in the total number of their active U.S. accounts. This was the largest decrease of any country included in the survey; Italy was second, with a decrease of 40%, followed by Switzerland and the United Kingdom, each with 33% declines. At the other end of the scale, the two countries experiencing the smallest declines were Belgium and Spain.

As the Greenwich study reports, changes in sight balances are closely related to the size of banks' assets, with the largest banks reporting the greatest declines. (Only 20% of banks with more than $10 billion in assets reported growth in their balances with their U.S. correspondents, well below the mean from countries other than the U.S.)

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While the move away from correspondent banking is nowhere near as evident in the United Kingdom as it is in other parts of Europe, both U.K. and other European banks are fostering the rapid growth in the United States of branches and subsidiaries that can handle their transactions.

Especially in the case of European banks, these offices are increasingly providing all necessary correspondent services. In fact, a number of those outlets are not only servicing home offices, but actively recruiting business from other foreign banks that operate in such financial centers as New York, Chicago, and London.

The number of European banks using their own offices as correspondents has doubled since 1984. This is an unmistakable sign of change in this area. Quite clearly, the growing popularity of practices such as these indicates that it is not only easier, but potentially more efficient and profitable, for a European bank to set up a subsidiary or branch than to maintain an existing correspondent banking relationship, much less establish a new relationship from the ground up.

Which Services Foreign Banks Buy

Reason	Total Banks	Assets Over $10B	Assets $5.1-$10B	Assets $2.1-$5B	Assets $1.0-$2B	Assets Under $1B
Operations Capabilities	71%	77%	84%	70%	66%	64%
Clearing Services	70	72	74	71	74	64
Historical Relationship	70	70	81	72	77	62
Competitive Pricing	46	51	56	49	48	33
Worldwide Branch Network	42	41	56	39	45	38
Bank's Financial Strength	34	42	42	35	25	27
Reciprocity	34	51	40	33	31	25
High-Caliber Officers	31	34	47	29	26	31
Treasury Services	30	34	35	34	24	27
Communications/Reporting Capabilities	29	35	33	26	26	28
Capital Markets/Services	26	39	37	24	18	22
Generous Credit	20	19	21	23	18	19

Source: Greenwich Associates

Clearing and treasury services currently rate as the key requirements of the Europeans. In the last couple of years, the so-called "treasury cluster" services — such as foreign exchange swaps, financial futures, and money markets — have grown most in importance to the European banks.

Just how great an influence the nature of the needs has had on the growing tendency of these same institutions

Continued on Next Page

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Continued from Previous Page

to rely more and more on subsidiaries or branches and less on correspondents is hard to say with any exactitude.

And given the fact that there are so many different elements making up the entire correspondent banking picture, it is impossible to say just where this business is heading.

But it is clearly a two-way street. Not only are Europeans cutting back on the total number of correspondents in this country, but the U.S. correspondents themselves are, at least in some cases, having second thoughts.

If there is one overall conclusion that experts draw, it is that banks — whether in this country or abroad — are going to follow the path of maximum profitability with far more diligence and passion than ever before. And if, over a period of time, it can be demonstrated that doing all this business through their own subsidiaries or branches is more profitable than carrying on the same functions via correspondents, then that inevitably is what will happen. ■

Loan Manual Aims to Curb Penn Square-Type Busts

A good reputation is not enough of a credit backing anymore; even correspondents could turn into potential defaulters.

By Pamela S. Leven

Pamela S. Leven is a Los Angeles-based writer specializing in business and financial topics.

IF CORRESPONDENT BANKers could turn back the clock, they'd probably return to 1979, when Penn Square, the notorious Oklahoma City shopping-center bank, feverishly began its upstream sales of $2 billion in energy loans. In this fantasy, concerned bankers would wave red flags at correspondents, preventing them from later losing over a billion dollars and becoming embroiled in years of legal disputes.

They would also hand out copies of the American Bankers Association/Robert Morris Associates industry guidelines on loan participation agreements — the document released earlier this month to each of the nation's 14,900 commercial banks.

"I'm not so sure the Penn Square situation could have been averted because of the fraud involved. After all, they did manufacture loans. But I am sure the legal hassles could have been significantly minimized if their loan participation guidelines had been drafted in accordance with our guidelines," insists William J. Penn, outgoing chairman of the ABA's financial institutions executive committee, which drafted the 19-point guidelines. Mr. Penn is also senior vice president of Fleet National Bank in Providence, R.I.

Penn Square is the most litigated bank failure in the history of the Federal Deposit Insurance Corp.

The effects of the bust in the oil market and sloppy documentation between Penn Square and its correspondents was disastrous.

It led to the the 1982 sale of one of its correspondents, Seafirst Corp. to BankAmerica Corp. after the loss of nearly $100 million by its subsidiary Seattle-First National. The virtual collapse of Continental Illinois Bank and Trust Company of Chicago after a 1984 loss of more than $1 billion was also instigated by the Penn Square affair. Chase Manhattan Bank, Michigan National Bank, and Northern Trust Co. also lost millions.

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Mr. Penn reports that his committee's 1985 decision to draft a loan participation "learning manual" for correspondent bankers was a direct outgrowth of Penn Square and other bank failures "where participants found themselves not as lenders to underlying companies, but to the originating bank."

Because of the flexibility they provide for banks that want to either increase or decrease their outstanding credits, loan sales have become increasingly popular. This is a common practice among many of the large banks in the money centers, which maintain account balances with interior banks that are given an investment outlet for their available funds in time and demand loans. Small correspondent banks use this method of investing temporarily idle funds as a substitute for commercial paper.

Spelling out Responsibilities

Eighteen months ago the ABA committee linked with RMA, an organization composed of bank credit and lending officers, to write a set of rules that they hope will eventually become part of member banks' working loan policies. Fleet National Bank has a formal loan participation policy that formed the basis of the ABA/RMA guide. Manufacturers Hanover Trust Co. policies were also used to develop the guide.

David O. Nordby, chairman of the RMA policy council and an executive vice president at Continental Illinois, notes that his group would have issued its own guidelines if the ABA had not proposed the project.

The purpose of the joint document, according to Mr. Penn, is to delineate the responsibilities of loan buyers and sellers "in a fair and equitable manner." Originating banks must provide proper financial information about borrowers; participants must make inde-

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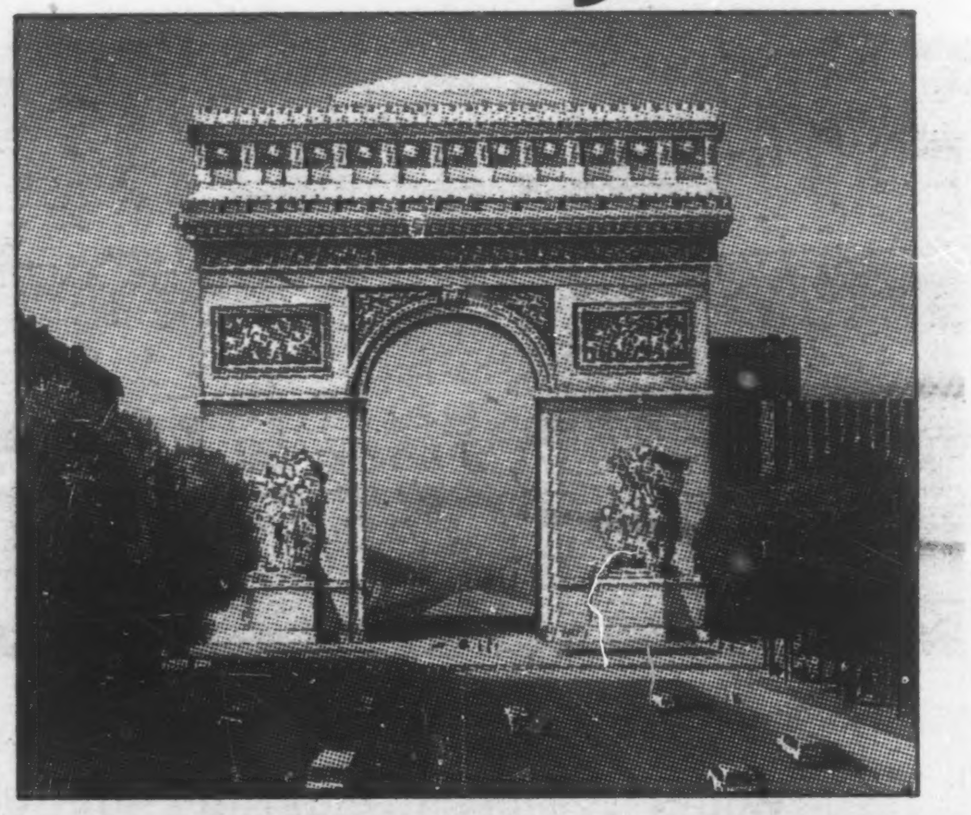

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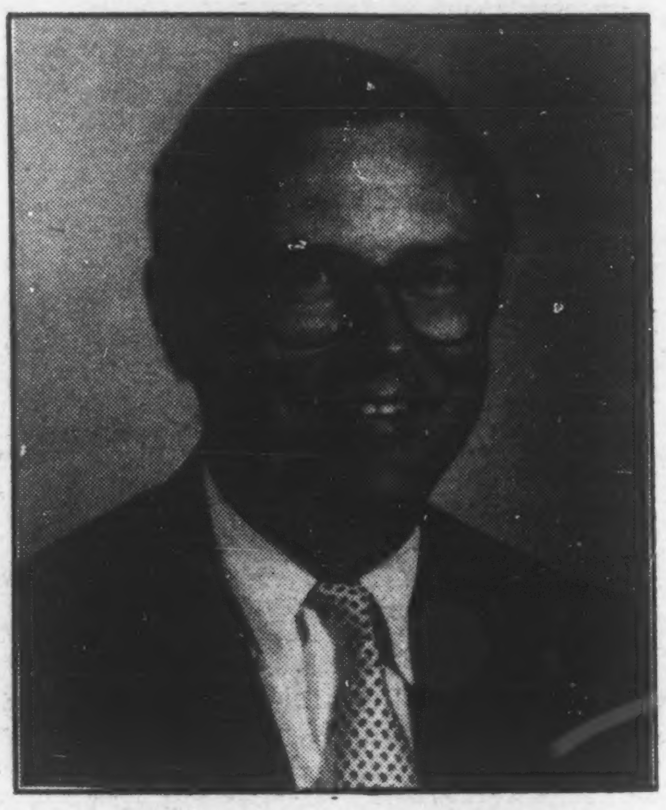

The mover behind loan guidelines: William J. Penn of Fleet National Bank

pendent credit analyses of the underlying documentation before entering deals. The parties must also establish remedial plans in the event that borrowers default on payments or if originator or participant banks fail.

These tips may seem simplistic, but according to the guidelines, loan buyers do not always "obtain copies of all relevant underlying documentation including loan agreements, security agreements and filings, appraisals, guarantees, mortgages, notes, etc.," and have it all reviewed by counsel. And originating banks clearly have to be reminded to check with their loan partners before changing term agreements with their borrowers.

"The handshake is still the basis for relationships, but now you have to document it," Mr. Penn observes.

Lyle E. Lawrence, group vice president at Shawmut Bank in Boston and an ABA financial institutions executive committee member, points out that the money centers and regional banks want assurances that their downstream buyers perform independent due diligence on loan purchases. Shawmut, for example, asks for certification to that effect.

The reason, Ms. Lawrence notes, is not a question of whether an originating bank can be trusted to qualify its borrower. Rather, she says, participating banks must show they are certain the purchased loans suit internal policies and market strategies.

"To rely on a name or a reputation [of the originating bank] and say, 'They make good loans,' is foolish," Ms. Lawrence says.

Dollar Volume Jumps

Mr. Penn likens the growing complexities of the loan participation market to those of mortgage lenders and their borrowers. Against the backdrop of a higher rate of personal bankruptcy cases and the growing complexity of loan transactions, "the amount of paper for mortgages has increased exponentially."

Since the Penn Square debacle, the dollar volume of loan participations has "exploded," says Mr. Penn. The activity is fueled by such trends as megabuck leveraged buy-out financing and the market entry of savings and loans and foreign banks, which lack the infrastructure to generate their own loans throughout the country.

At a time when banks are being more prudent in their risk management, participants help originating banks increase credit to borrowers beyond regulatory limits — another contributor to the growing volume.

The Fleet banker believes that without industry education of the loan market, regulators would have stepped in with "Thou shalt do this" demands. Since 1984, regulators have required that banks disclose quarterly the amount of loans sold to other banks. Earlier this year, buyers had to begin reporting their loan purchases.

In fact, regulators actually had a hand in the formulation of the guidelines. Mr. Penn reports that the document was reviewed by the Comptroller of the Currency, the Federal Deposit Insurance Corp., and the Federal Reserve Board.

"They didn't come back and give their blessings and stamps of approval, but they did say that within their own review process, these were the kinds of issues they feel are appropriate," says Mr. Penn.

The ABA and RMA committees sought and won approval from their own members. Literally hundreds of bankers reviewed the document. Within the ABA, 14 members of the financial institutions executive committee wrote the guidelines and 90 managers reviewed their work at a correspondent banking conference earlier this year. It also passed through a series of reviews by RMA credit and lending officers at their programs throughout the year.

"I'm pleased that so many bankers around the country participated in the project," Mr. Penn says. "It really came home to me that a lot of people are practicing prudent loan participations."

The ABA/RMA Industry Guidelines are not likely to increase the velocity of the loan participation volume, but the document will make participations easier, Mr. Penn asserts.

"I think it will also serve as a mechanism for banks that are not generally in the participation market. They have a document that spells out the terms and conditions to include in their agreements," he says. "They don't have to reinvent the wheel with each deal." ■

> ***"They didn't come back and give their blessings and stamps of approval, but they did say these were the kinds of issues they feel are appropriate."***

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Dinosaurs to Quarterbacks

To avoid extinction, yesterday's relationship managers tackle field with sales savvy, knowledge of complex products.

By Merri Rosenberg

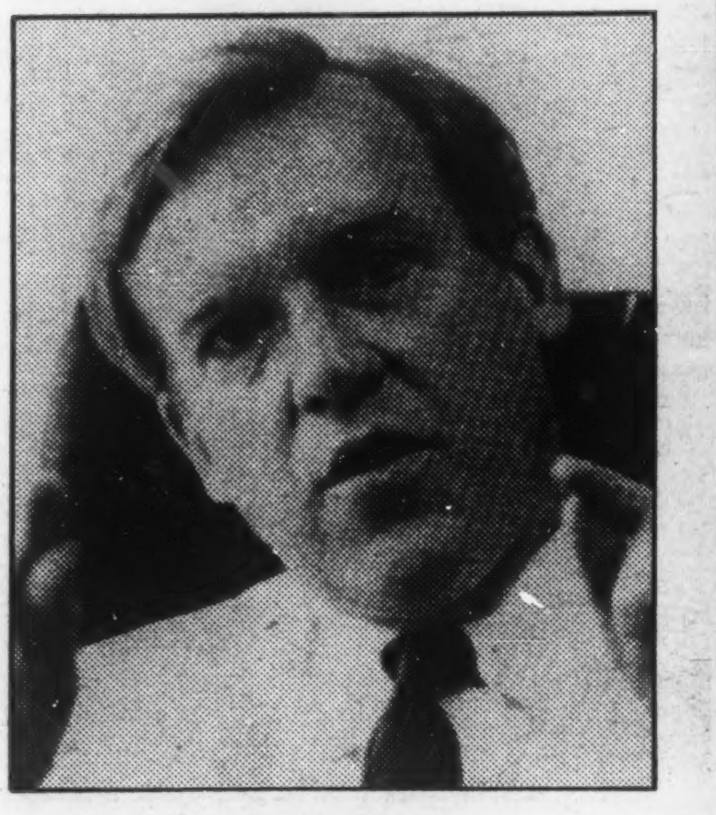
IT MAY NOT HAVE UNDERgone a metamorphosis large enough to send bankers back to boot camp yet, but new recruits to the correspondent banking field are finding it a far cry from the party it used to be. For in the wake of major regional mergers and consolidations, increased competition from thrifts and other institutions, as well as internal shifts within the major money center banks themselves, the role of the correspondent banker has changed considerably.

Not too long ago, according to popular wisdom, correspondent bankers were just as likely to drum up business on golf courses and at banking conventions as they were at the office. In fact, some say they used to perceive correspondent banking as a dumping ground for old-timers prior to retirement.

"The correspondent banker of old who shook hands, slapped backs, and bought drinks is gone," says Peter D. Crist, managing director of financial services practice/Midwest region at Russell Reynolds, a Chicago-based head-hunting firm. "He's a dinosaur."

If today's new breed of correspondent bankers wants to escape that same fate of extinction, they need to adapt to the changing marketplace, assert industry observers.

In the past correspondents were more likely "to understand a little about a lot of things," says Dennis Barnette, who had been a corporate and correspondent banker and is now a partner for Midwestern financial services at Korn/Ferry International, a national executive search firm. "They were the funnel for the smaller bank that channeled into the resources of the larger bank."



Sophisticated needs drive account officers, says former correspondent, Dennis Barnette

Yet as the respondent banks that were in need of services have merged with each other to form new, larger financial institutions, the role of the correspondent banker has had to shift. "Now when a correspondent banker goes calling on banks, he has to know a lot about a few things," adds Mr. Barnette.

"Today the audience is more sophisticated," he points out. "Smaller banks aren't truly small anymore. As the banks are grouping together, they're able to pass loans around among themselves. . . . There's a tendency among the regionals to do more operations themselves."

As regionals become larger, they don't need the same kind of services. "The new correspondent banker of today is far more oriented to a syndication role, and less inclined to the old dumping ground of loans," says Mr. Crist of Russell Reynolds.

Breeding a Different Class

So if traditional correspondent banking functions, such as check-clearing and loan management, have now been assumed by the respondent banks themselves, where does that leave the correspondent banker?

According to Mr. Barnette, who echoes the views of other industry insiders, "The smaller banks are really medium-sized, and are looking for more sophisticated products, especially in the capital markets area."

Which means, in turn, that the new breed of correspondent bankers is now apt to be specialists rather than generalists, and as adept in sophisticated financial instruments as they once were in social skills.

In fact, head-hunters and bankers paint a portrait of the successful correspondent banker that reveals an individual who has more in common with the fact-laden investment banker than with the suave salesmanship expected of a lending officer or account representative.

Social skills, in fact, have taken a decided backseat to mastery of technical financial products and services — and the subsequent ability to sell them to clients.

"If you can't count on a 30-year relationship, then there's much more reliance on sales skills," says John P. Rudy, a partner at Greenwich Associates in Connecticut, a consulting and market research firm that studies correspondent banking trends. "The ability of managers to rely on personal factors for profits is severely compromised. My conviction is that the key people in this field are increasingly business-oriented rather than people/relationship managers. They're more likely to be production-line oriented rather than tailored-product oriented."

New Routes Up the Ladder

While correspondent banking is no longer the capstone of a career, the new demands for aggressive salesmanship coupled with technical knowledge call for bankers who are well versed in a variety of functions within their own institutions — especially lending, ac-

Merri Rosenberg is a New York-based writer specializing in business and financial topics.

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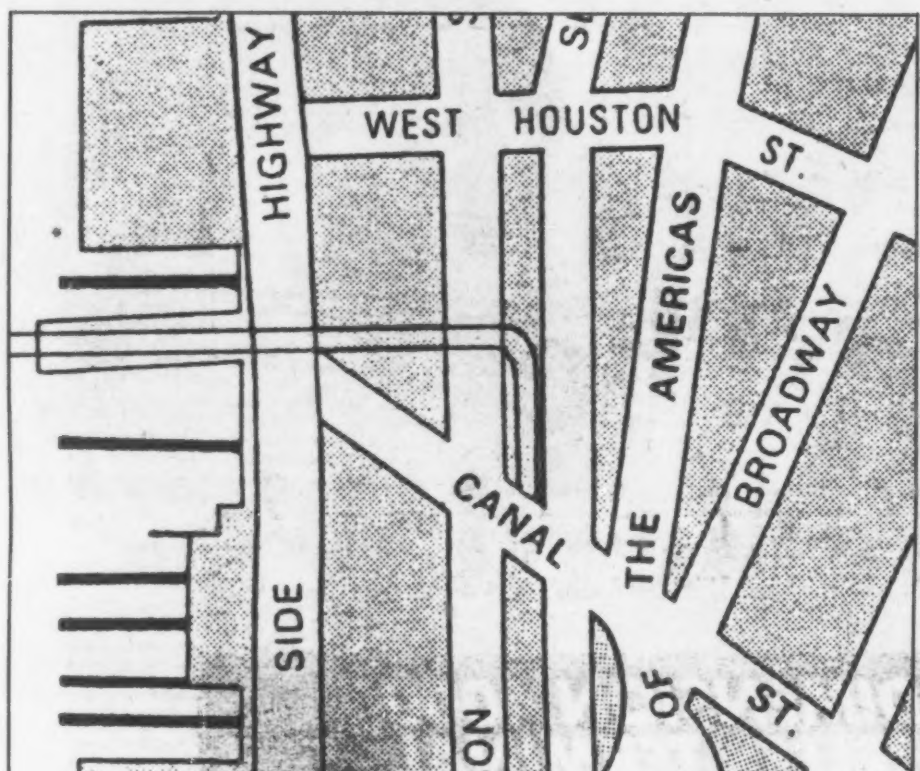

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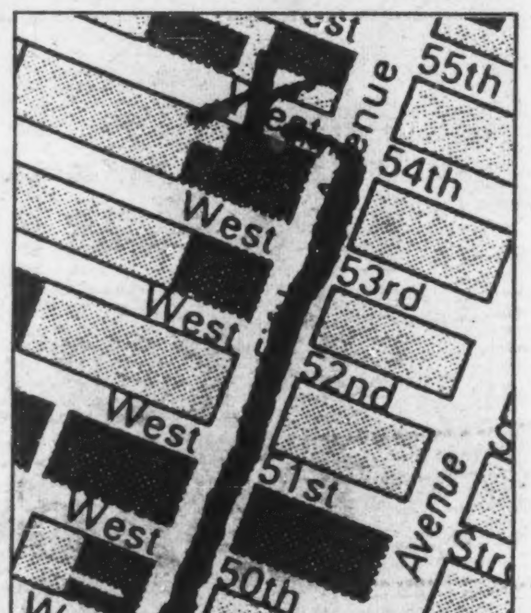

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The key to success is understanding the client, says George S. Kobus, a senior vice president at Chicago's Exchange National Bank.

counting, and capital markets areas. With their mandate to serve clients, and to tie together different specialists within the bank, correspondent bankers are frequently compared to "quarterbacks," according to John Pezzutti, senior vice president and international institutional executive at Chase Manhattan Bank, New York.

Successful correspondent bankers generally have between 5 and 10 years experience at their institutions before stepping into this role, most experts agree. According to Mr. Barnette of Korn/Ferry, the correspondent banker "should be in the middle of his career to have sufficient credibility" with clients.

For while age is not a factor, "most of the 'Young Turks' out of B-school haven't been refined," says Emanuel Monogenis, partner in charge of the financial services practice for the headhunting firm of Heidrick & Struggles in Manhattan. "They may not have enough judgment and skill — plus they may not know enough of the decision-makers and doers to deliver to the respondent bank for service. They should also be secure enough to pull in technical people when they need to."

Efficiency and speed are also desirable attributes. Since the current generation can no longer rely solely on recruiting clients at ABA conventions or through the "old boy network," cost plays an increasingly significant role in lining up new business. Now that personal relationships are no longer the primary factor in acquiring new clients, delivering services for less money has become increasingly important.

"Your willingness to move quickly is key," says Gregory S. Kobus, a senior vice president and manager of financial institutions at Chicago's Exchange National Bank, which provides correspondent services. "In many cases, you're one of several candidates. The key to [being] a successful correspondent banker is not to just say 'Yes' or 'No' to a loan, but to understand the client."

One of the prime roles that the new model of correspondent banker has come to assume is as a "mergers and acquisitions monitor," says Mr. Monogenis. Experts believe that correspondent bankers can fulfill a senior management role within their own banks by acting as internal consultants on likely takeover targets.

The ability of correspondent bankers to adapt and address the newly sophisticated needs of their clients will have direct bearing on the future survival of the field.

"With the final acts of consolidation, there will be fewer banks around,' says Mr. Crist of Russell Reynolds. "And then correspondent banking will be diminished."

Meanwhile, there is no doubt that the ball game has changed irrevocably — and the rules make it tougher for correspondent bankers.

"Apparently I missed all the fun and excitement of correspondent banking," laughs Mr. Kobus of Chicago's Exchange National Bank. Now, "it's strictly business." ■

Debate Rages On Fed's Role In Check Clearing Market

Bankers still feel the heat of heightened competition, as a more aggressive Reserve modernizes processing.

By Rob Wright

AMERICANS WRITE 45 billion checks a year, according to the best estimates of those who keep track of such things.

But turning that many scraps of paper into financial transactions is only possible with the help of Uncle Sam and the nation's largest commercial banks.

This makes the check processing marketplace somewhat of a national oddity, with the federal government competing with approximately 150 private corporations for customers. Organized nationally as 12 district banks, the Fed holds the distinct advantage of being the only truly nationwide correspondent.

Six years ago the Federal Reserve changed correspondent banking by charging for check processing services it formerly offered for free. Whether that has been good for the industry depends entirely on who you talk to.

Many in correspondent banking feel the move, mandated by the Monetary Control Act of 1980, has led to a more efficient marketplace by increasing competition. A more aggressive Fed, they say, has made banks that offer check processing sharpen their operations, and has taken some less efficient players off the scene. And few doubt

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Rob Wright is a Washington, D.C.-based correspondent for States News Service.

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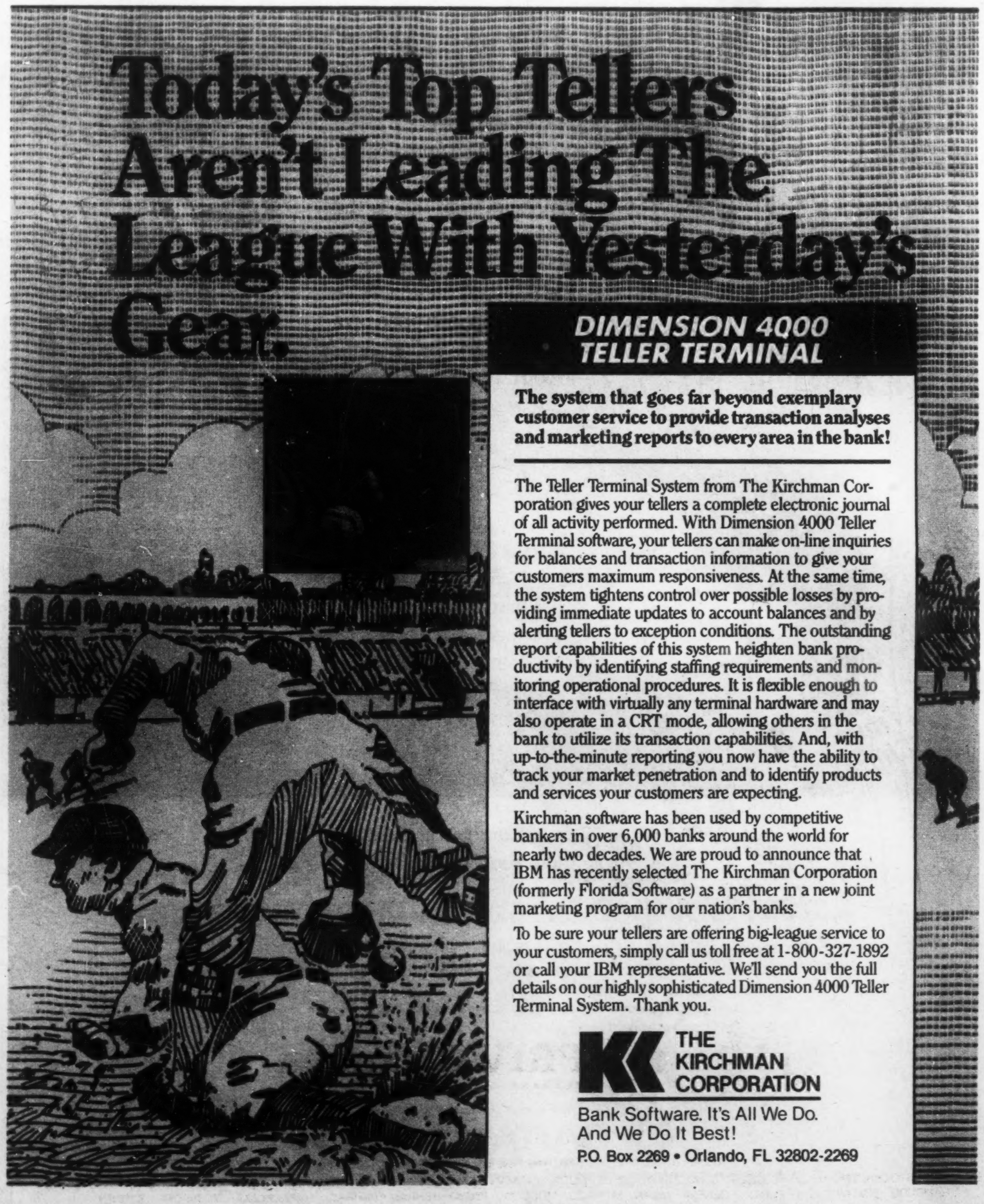

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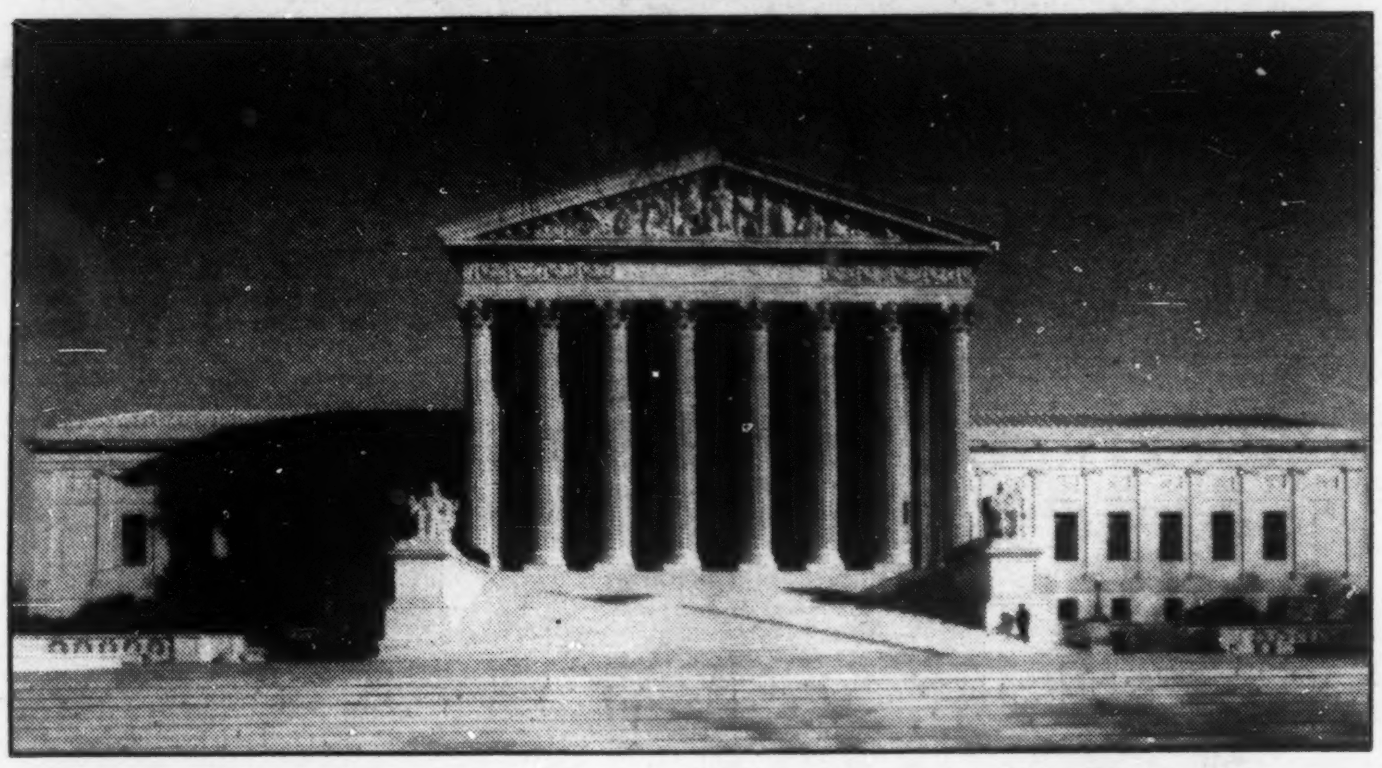


At the root of the controversy is the Federal Reserve's entry into the market.

Continued from Previous Page

the Fed has, in fact, helped its client banks by modernizing processing.

"We hope that some of the measures we've taken have stimulated more effective competition," says Paul Connelly of the Fed's Boston office, who coordinates the national check processing operation. "We think they have, but we realize there are conflicting opinions."

Fed statistics show that the number of financial institutions that use the agency for check processing is now up to 5,500 — almost twice as many as before the Monetary Control Act. Still, the vast majority of the nation's banks and thrifts go elsewhere for the service.

"We think the check collection system in this country works well because there are options," Mr. Connelly points out. "There's competition, and that's a healthy system."

Fed Processing Less

However, Federal Reserve Board of Governors check processing specialist Elliott McEntee notes that the percentage of the nation's checks that the Fed processes has actually dropped since the act passed. Latest estimates give the Fed a 36% market share compared to 42% in 1980, he says. So, in effect, though the number of banks using Fed services have increased, the growth is not in proportion to the percentage of banks that have entered the marketplace.

But to many in the industry, it is not raw numbers or percentages that matter so much as the more sophisticated quality that the Fed is now able to offer in check processing.

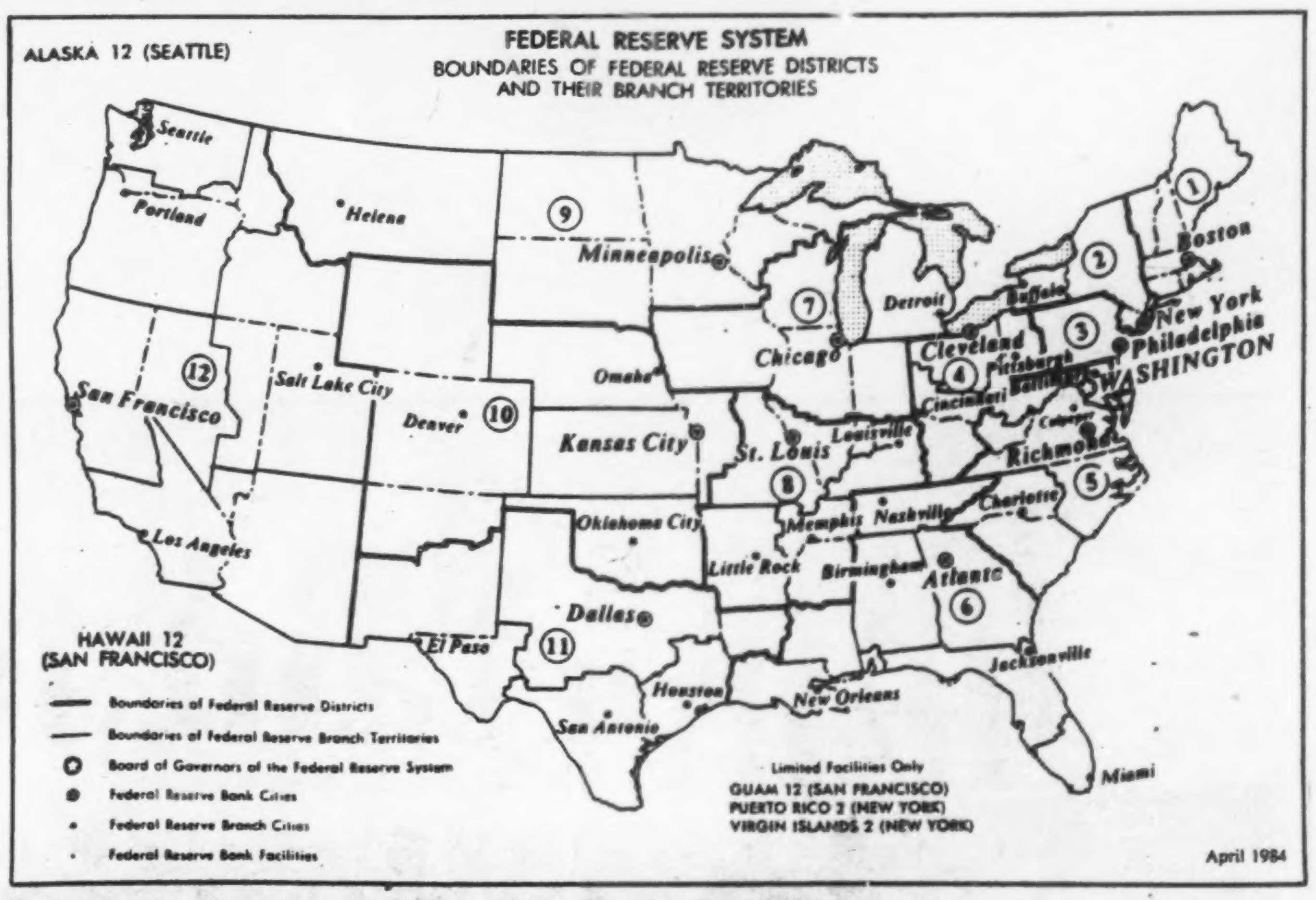
"The Fed has stepped in and provided a whole range of services that are competitive on a price base," says William J. Penn, a senior vice president of Fleet National Bank in Providence, R.I., and until recently the chairman of the American Bankers Association's correspondent banking committee. "They've become very aggressive."

Mr. Penn says the changes have led the banks that offer check processing services to change their thinking. "Now the approach is, 'Let's beat the Fed at its own game,' " he says. "It's very good for the industry. It's done away with a lot of inefficiency."

Ned Miltko of the Philadelphia consulting firm of Littlewood, Shain & Co. points out other changes. "The upshot is that the commercial banks have learned to be much creative in competing with the Fed in clearing other financial institutions' checks."

But one check processing manager at a leading correspondent bank, Peter Sposito of Connecticut National Bank in Hartford, is not as wild about the developments.

"I don't know of another federal agency that competes with the industry it regulates," Mr. Sposito says. He stresses that no single commercial bank holds more than 1% of the check processing market share compared to the Fed's nearly 40% — a situation, he says, the Federal Trade Commission might not allow under other circumstances.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HAWAII 12 (SAN FRANCISCO)
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April 1984

Organized nationally as 12 district banks, the Fed holds the distinct advantage of being the only truly nationwide correspondent.

Federal Reserve involvement in a business in which banks are active has been the central issue since discussions began on the Monetary Control Act in the 1970s.

"I don't mind competing with another major market-share holder with the same cost structure and profit motives," says Mr. Sposito, "but not when it's a government regulator. I think that's unfair."

Mr. Sposito says his bank, one of the major correspondents in New England, is "feeling more and more competition as time goes on from the Fed itself.

"I would say we're holding on by bobbing and weaving and carving out niches. But I tell you, we do feel the heat," he says. Yet he admits, "Their [Federal Reserve] availability schedule has gotten much better."

Mr. Sposito stresses that the Fed has four natural advantages over commercial banks in offering check processing services.

The Fed is not charged a presentation fee by receiving banks, nor does it have a realistic possibility of ever failing, he says. At the same time, it is the only U.S. financial institution with truly national capabilities, and has accounts with most of the nation's approximately 14,900 banks.

"I'm not proposing that the Fed get out of the business," says Mr. Sposito. "I'm proposing that they offer a more competitive price schedule. Systemwide, on a per-item basis, I think they're charging too little for their private sector competitors [to ever compete]."

They've Earned Their Stripes

Fed spokespeople, however, feel that they have earned their improved reputation in check processing.

Mr. McEntee of the Board of Governors staff responds that any progress the Fed has made is due to its emergence as "a very, very efficient operator in check collection." He emphasizes the effect of its Interdistrict Transportation System, a hub-and-spoke air transit network introduced in 1983 that gives respondent banks about two hours more a day than they had in 1981 to get checks to the Fed.

Mr. Connelly of the Boston Fed stresses the importance of the "high dollar group sort" program, which has allowed large bank branches outside of major cities to speed up their processing of checks. That program, he adds, compliments the noon presentment system, which is aimed at giving branches in large cities access to their checks two hours earlier each day.

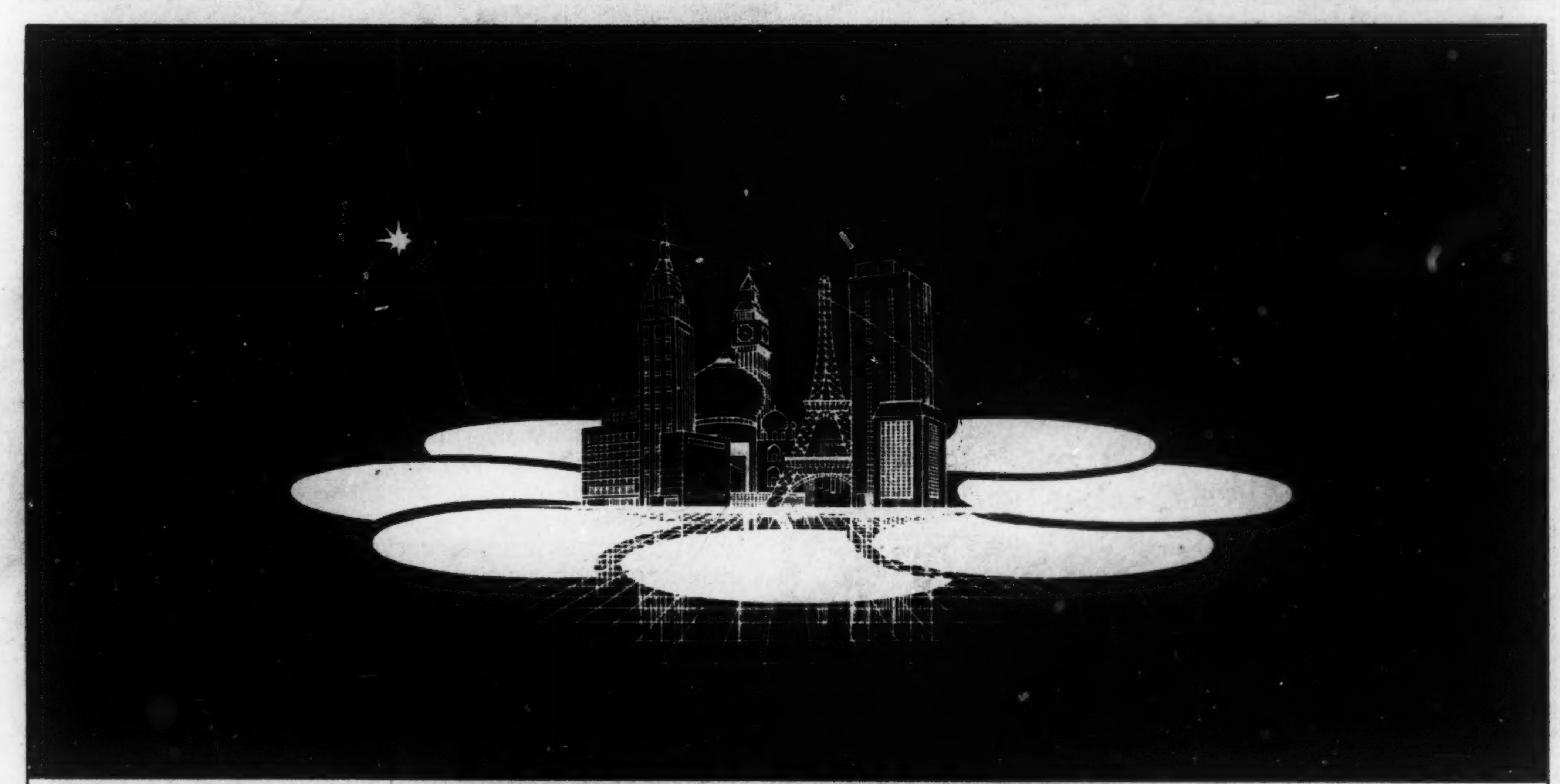
"It speeds up the system," Mr. Connelly says. "As you do things like that, we hope we're having a beneficial effect on the payment system."

To Mr. Penn at Fleet National Bank, such moves have given the Fed "significant savings," and thus motivated all the other check processing providers to improve service.

"If we can reduce the cost of that service, it benefits the customer as well as us," he says.

Denny Carreker, president of J.D. Carreker and Associates, a Dallas consulting firm, says that the most important issue in the debate is that the check processing market is a "very dynamic one," with rates changing frequently and small banks going back and forth between the Fed and commercial correspondents for the crucial service. The choice "depends entirely on their own needs," he stresses.

"They actually carried off something many people didn't think they would," Mr. Carreker says of the Fed's new sophistication. "In all, the industry and the country have benefited from this." ■



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How Banks Channel Payments Through Wholesale System

Economic and strategic implications from high-tech changes are shifting focus of competition among financial institutions.

The impact of technology on correspondent banking continues to carry economic and strategic implications, particularly on the way banks transfer services. The following is an excerpt on the wholesale payment system from "Technology and Banking: The Implications of Strategic Expenditures," a joint report by Salomon Brothers Inc. and McKinsey & Co.

THE WHOLESALE PAYMENTS system is the means by which corporations, financial institutions, and governmental units disburse and receive funds and obtain information about funds movement. The three major groups of services that banks provide in wholesale payments are funds transfer, transactional processing services, and customer interface.

Funds transfer services: Banks provide access to the major channels for funds movement. One conversion currently taking place, from paper check to automated clearinghouse "electronic check," has economic and strategic implications for financial institutions ranging from who should bear the costs of the new electronic systems to the impact of the loss of transaction float.

Transactional processing services: These services, often referred to as "cash management products," include lockbox, controlled disbursement, account reconcilement, and automatic investment. Many of them were originally designed to take advantage of inefficiencies in the paper-based payments system. Most of these systems will remain important, and investments in enhanced systems will continue because of the large volume of checks that will be written through the end of the century.

However, with the rate of increase in check writing diminishing and the applicable technology maturing, cash management processing systems no longer represent the cutting edge of competition: Banks are finding it difficult to differentiate themselves solely on the basis of a state-of-the-art processing system.

Customer interface services: Banks inform customers about funds movements (disbursements and collections) and account balances, and permit customers to initiate action based on the information. The interface has become increasingly electronic (and is in fact becoming known as the "electronic window") and is replacing transaction processing systems as the major focus of competition.

Wholesale Funds Transfers

The wholesale funds transfer system is the means by which payments between corporations, financial institutions, and governments are moved and monitored. The two major channels through which corporations direct their payments are the large payments channel, which operates mainly through electronic wire services to meet critical value dates, and the small payments channel, which is affected by paper checks and automated clearinghouse electronic checks.

Banks can direct corporate payments through three electronic funds settlement systems. These systems are used primarily for high-value transactions (average values are $2 million for Fed Wire and CHIPS) and offer a high level of security and (except for SWIFT) rapid settlement.

Fed Wire is a nationwide network operated by the Federal Reserve System through the reserve and clearing accounts held by the 8,000 depository financial institutions that access the network. Fed Wire transfers funds from one account to another on the books of the Federal Reserve. Settlement is immediate, and the transfers are irrevocable.

CHIPS, the Clearinghouse Interbank Payments System, is a private New York City-based network specializing in funds transfers and financial messages resulting from international trade and the foreign currency activities of its 120 member financial institutions. Settlement of net positions takes place at the Federal Reserve at the close of business on a same-day basis.

SWIFT, the Society for Worldwide Interbank Financial Telecommunication, is a bank-owned, transnational cooperative data processing and telecommunication system that conveys financial transaction instructions and other financial information between member banks in an automated and highly secure environment. Settlement is left to local or national networks such as CHIPS or Fed Wire in the United States.

In 1984, Fed Wire and CHIPS carried 87 million transactions — less than 1% of total wholesale transfers, but representing more than 85% of the total wholesale value.

The automation of internal processing began several years ago with electronic connection to the payment and message networks. This connection was followed by the automation of the transaction processing function, which eliminated much of the paper. The current advanced stage of development has been accompanied by a decline in prices, which has caused many participants to operate at or below their break-even points.

We believe that the necessity of continued investment in software and hardware, coupled with difficult economics, will cause all but the participants with significant market shares to either terminate their activities as direct service providers or incur increas-

Continued on Page 22

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Thrifts Pare Down Use Of Upstream Relationships

As well as replacing service links for typical products, S&Ls are looking to correspondents to fill changing needs.

By Dorothy Hinchcliff

AS THE POTENTIAL TO save hundreds of thousands of dollars on correspondent services soars, thrifts — which some industry observers say account for one-third of the market — are turning more often to in-house departments to handle traditional roles, and looking to correspondents for more complicated capital market needs.

And though the thrift industry continues to represent thriving opportunities for commercial banks' correspondent sectors, several factors are changing the rules of the game.

Increasing competition from sources like the Federal Home Loan Bank is one. Many thrifts are now using FHLB to provide such traditional correspondent banking services as check clearing and other back-office processing, which they formerly sought from commercial banks.

In addition, as thrifts become larger, they tend to provide some services in-house that they previously farmed out to large correspondents.

"I don't think [the thrift business] is growing as fast as it has in the past. You now have the larger savings and loans that are more self-sufficient, that have installed their own computers and on-line systems," says Frances Guthrie, vice president of investment management for Central Bank of the South, Birmingham, Ala., which has correspondent banking relationships with more than 100 thrifts.

Moreover, the total number of thrift customers in the market has dropped, meaning that many banks have to work harder to develop new relationships and expand existing ones.

"I think that because of the diversity of businesses thrifts are in, the products we're able to offer has grown. But certainly the number of thrifts hasn't increased," says Barbara Z. Parker, vice president of the financial institutions group for Midlantic Corp., a bank holding company based in Edison, N.J. "I think our share in terms of additional products, not in terms of the number of thrifts, has grown."

Analysts agree that measuring just how much correspondent business banks are actually doing with thrifts is difficult.

Many believe monitoring compensating balances does not provide an accurate reflection of activity, because many consultant and investment banking services are charged on a fee basis.

"The balances are traditionally the yardstick — but an increasingly less reliable yardstick — given the growth of new products and the trend away from balances to fees," points out Merrill O. Burns, executive vice president of global financial institutions at Manufacturers Hanover Trust Co., New York, and chairman of financial institutions for the American Bankers Association.

The Kitchen's Getting Hot

Some banks are finding the business too tough.

In fact, says Mr. Burns, "All banks are paying increased attention to their profitability, and what we're all doing is concentrating on those products and market segment areas that afford higher than average returns. Logically, that's leading to some people exiting the business, others maintaining their businesses, and others growing."

David Voss, senior vice president of financial institutions for Union Bank, Los Angeles, agrees that the overall number of thrift customers is declining. To increase business, Union Bank has had to provide products of higher quality.

"We've stuck with it in hard times as well as good times," says Mr. Voss. "It's still a relationship business. Many customers can go to the Federal Reserve and the Federal Home Loan Bank for a cheaper amount. We are not the cheapest, but we give good, high-quality service."

Still, many bankers, including Mr. Burns, say their correspondent banking business with thrifts has been rising significantly. The thrift industry accounts for about one-third of the correspondent banking market today, Mr. Burns says.

Walt Gerstenberg, vice president of savings and loans for First Interest Bancorp, Los Angeles, says First's thrift business in California has grown 10% to 15% annually over the last few years. He adds that this rate is slightly faster than the rate of the bank's growth in correspondent banking overall.

Most of the new business opportunities from thrifts have developed primarily because they are now more diversified. Thrifts are looking to commercial banks to provide them with correspondent banking services — particularly in investment and merchant banking — that are more sophisticated than the ones they sought in the past.

While California Federal Savings and Loan Association, the fourth largest thrift in the nation, does its own check processing and other routine functions that smaller thrifts might turn to commercial banks for, it still needs a correspondent.

The services it does seek out are primarily on the credit side, says Thomas H. Dooley, senior vice president and treasurer of CalFed Inc., the thrift's

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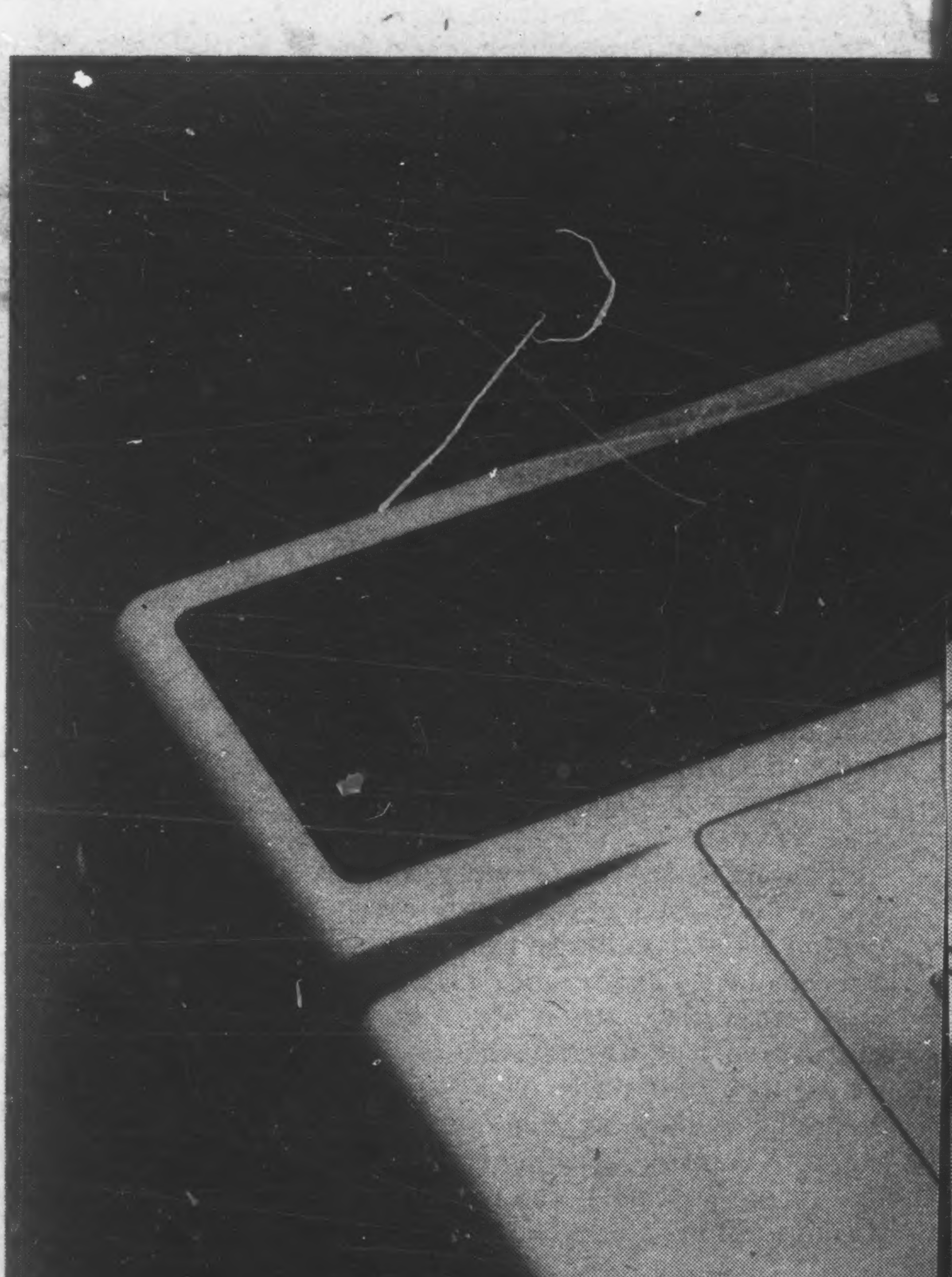
Dorothy Hinchcliff is a reporter for the Asbury Park Press in New Jersey.



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California Federal has a $50 million revolving-term loan agreement with Manufacturers Hanover and First Interstate, as well as credit arrangements for $100 million with about a dozen foreign banks. The thrift also uses commercial banks as trustees on various mortgage-backed bond issues.

Another example of a thrift that has altered its correspondent banking activities from years past is Shadow Lawn Savings and Loan Association, based in West Long Branch, N.J. It now does check clearing in-house and outclearing of transit deposits through the Federal Reserve Bank, which a spokesperson says improves its availability of funds and reduces processing costs. Previously, it had used commercial banks to provide those services.

"There comes a point where the flow justifies bringing it in-house," says Stephen Graham, the chief financial officer of the $735-million asset institution. Mr. Graham estimates Shadow Lawn has saved close to $200,000 a year by handling some functions in-house.

> ***"Because of the diversity of businesses thrifts are in, the products we're able to offer has grown. But the number of thrifts hasn't increased."***

He says the thrift primarily uses correspondent banking services for security safekeeping, coin and currency purchases, and travelers check and ATM settlements.

Ms. Parker of Midlantic notes some of the newest products stem from meeting the needs of the growing number of S&Ls and savings banks, which have been converting from a mutual to a stock form of ownership. Products include lending to thrift employee stock ownership plans, becoming a trustee for ESOPs, acting as the thrift's stock transfer and registrar agent, and loaning funds to directors or senior officers of converting institutions for acquiring stock.

At Manufacturers Hanover, Mr. Burns says the amount of traditional correspondent business — such as fund transfers, securities safekeeping, and check clearing — has increased. But growth is occurring in investment and capital markets areas.

Retail and wholesale placement of certificates of deposit, commercial paper transactions, and interest rate risk management products are some of the new products, according to Mr. Burns.

Mr. Voss of Union Bank explains that larger thrifts in California have become more self-sufficient: They need less operational services and more capital market services.

In the age of increasing competition and diminishing customers, Mr. Voss says the bank "is trying to de-emphasize those [traditional services] and offer new products involving things like swaps, mortgage-backed securities, and Euro financing." ■

First DeWitt Bucks Norm

Expands Correspondent Relationships

Michael J. Quigley

Michael J. Quigley 3d could probably use the Federal Home Loan Bank instead of commercial banks for more of his savings and loan's correspondent banking needs.

But the 47-year-old chairman and chief executive officer of First DeWitt Savings & Loan Association, West Caldwell, N.J., explains: "I don't think you can put all your eggs in one basket."

Mr. Quigley says his bank would not want to provide all the correspondent services in-house *or* get them all from the Fed. In his eyes, commercial banks still have a lot to offer, with expertise in certain areas that smaller banks can not provide for themselves.

So when Mr. Quigley took over the top-ranking post at First DeWitt 18 months ago, he went against the norm and expanded the bank's correspondent relationship with commercial banks. Now the institution basically splits its correspondent business between the FHLB and Midlantic Corp., the Edison, N.J.-based holding company for Midlantic Banks Inc.

The 102-year-old First DeWitt has had a correspondent relationship with Midlantic for more than 25 years. But First DeWitt's business with the bank had been scaled back, Mr. Quigley says, by his predecessor, who followed many other companies that had transferred various services to the FHLB and away from commercial banks.

First DeWitt uses commercial banks to buy and sell Fed funds. Mr. Quigley says he has reestablished a line of credit with Midlantic. The bank also relies on Midlantic for wire transfers of funds, providing cash and coin in most of its branches, as a depository for some outlying branches, for letters of credit, and occasionally for messenger pick-up and as a securities custodian.

But its newest needs are using the bank as a lender for its employee stock ownership plan, which will be created when the thrift converts from a mutual to a stock form of ownership. The ESOP loan is at 85% of prime, says Mr. Quigley.

First DeWitt officers are also taking out loans through Midlantic's private banking services to buy stock in the offering.

First DeWitt, with $376 million in assets, pays for its services from the FHLB and Midlantic primarily by depositing compensating balances with them. Mr. Quigley estimates that First DeWitt keeps about $1 million or more on a daily basis with Midlantic.

As First DeWitt grows, Mr. Quigley thinks the institution will probably provide in-house some services that currently require correspondent bankers. "For example, we'll be looking at doing our own check encoding soon. The Fed and Midlantic do it for us now. We will probably do letters of credit ourselves eventually," he says.

Other banks have approached First DeWitt about becoming its primary correspondent bank. "I tell every one of those fellows that we've had a long and mutually rewarding relationship with Midlantic," says Mr. Quigley.

"None have sold me yet on changing."

Dorothy Hinckliff

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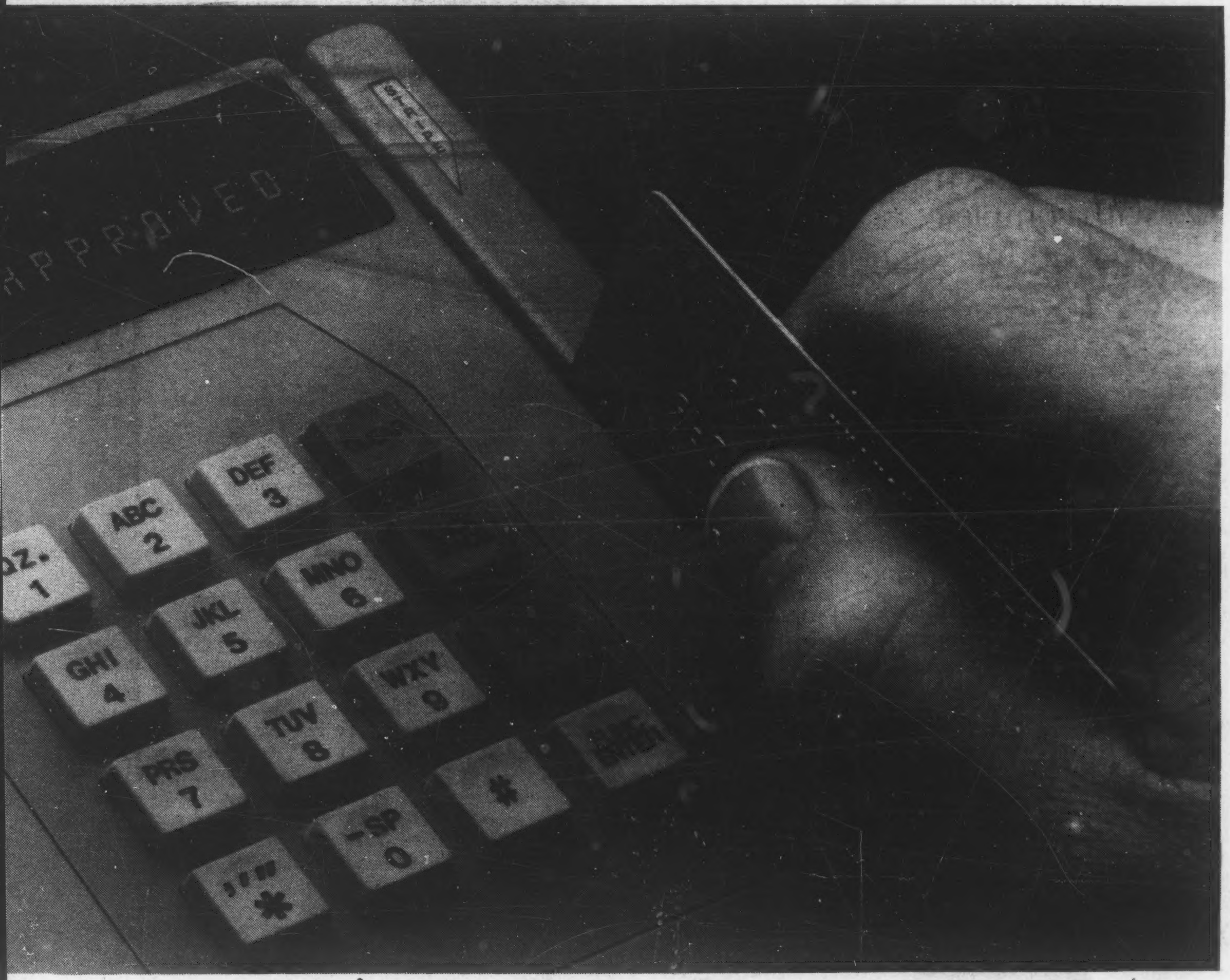

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Continued from Page 19

ing operating losses. Smaller providers may be able to participate as users of a larger bank's capabilities.

A by-product of the March 27, 1986, Federal Reserve Board directive that limits daylight overdrafts has been to enhance the position of better capitalized banks, because the size of the permitted overdrafts is proportional to a bank's capital. The Fed's action also increases demands on the information systems of the banks by requiring real-time knowledge of customer positions. Many banks do not have a system architecture that is capable of satisfying this demand automatically.

> ***"An electronic check would be an element of a more extensive automation of a company's internal processing, resulting in savings of $10 billion to $15 billion per year."***

It is not yet clear whether Fed action will further accelerate the concentration of activity among the large participants or limit the capacity of these participants and thereby slow the movement toward concentration.

We expect transactions over the wire system to continue to grow at a modest pace for the rest of the decade. SWIFT transaction volume has the potential to grow at a faster rate (perhaps even greater than its recent 20%-per-year pace) as a messaging network as it continues to develop useful formats other than funds transfer for interbank messages. In addition, the message standards utilized by SWIFT are increasingly incorporated into new funds transfer systems.

Acknowledging the steady decline in communication costs over the past few years, Manufacturers Hanover Corp. increasingly substitutes nonproprietary links where they are economically advantageous. GEONET — a proprietary internal data transmission network — utilizes a variety of components such as value-added switching networks, leased lines from RCA Corp. or American Telephone and Telegraph Co., satellite links, and microwaves.

The decision to build GEONET was not based on the needs of any one product. A single standard network was needed throughout the corporation, and a proprietary effort was necessary to minimize the cost of transmitting data. Project Connect is one method that the firm is pursuing to increase its usage of the global network. Specifically, Project Connect, a PC-based product, supports documentary credits and funds-transfer products.

Prompted by recent Fed actions, First Chicago Corp., Security Pacific Corp., Mellon Bank Corp., CoreStates Financial Corp., and First Wachovia Corp. are integrating and interfacing information from the large and small payment channels with other bank systems. CoreStates Financial has developed an intraday corporate funds management system that integrates wire transfer and collection. The funds transfer system integrates SWIFT, CHIPS, and Fed Wire messages. CoreStates Financial's ACH transaction volume more than doubled in 1985 and is expected to have doubled again in 1986.

Funds transfer has been one of Bankers Trust's most profitable products. The bank believes that the federal caps resulting from the March daylight overdraft regulations will hasten the eventual concentration of the industry. Some smaller competitors may not be able to comply with the federal regulations and will therefore exit the business. In fact, some foreign agencies have already begun to drop out.

There are clear economies in the business, although the increase in benefits obtained by each subsequent level of investment may be shrinking. Bankers Trust NY is actively wholesaling its service to other banks, thereby generating fee income and providing important additional volume.

Although Chemical NY is continuing to invest in BankLink — the most successful wholesale delivery system in the country — the company is also working to apply its experience to other market segments. Pronto Business Banker is being marketed toward smaller- and middle-market companies, which typically do not use mainframe computers. Chemical's strategy in this area is to generate a series of micro-based applications such as Prompt Pay (an ACH-access module) and ChemLink LC (a letter-of-credit initiation module).

Irving Bank Corp. has embraced a shared strategy for wholesale payments. As a result, Irving's employees are active in banking industry efforts to develop standards for many types of products. For example, in the 1970s, the company decided not to pursue a proprietary approach to international transfers and instead worked to ensure that the emerging SWIFT standards would be consistent. Irving has a 4% share in funds transfer and has a new state-of-the-art funds transfer system, FAST, which allows customer payment transactions to be processed electronically.

> ***"Banks are finding it difficult to differentiate themselves solely on the basis of a state-of-the-art processing system."***

Network Consultants, whose ownership passed in mid-1985 from the General Electric Information Services Co. to MCorp, has developed a module for its Money Net software (a popular wire-integrating package) that helps keep track of daylight exposure positions by focusing on Fed Wire activity. MTech, the direct parent of Network Consultants, is experimenting with the lease (as opposed to the sale) of wire transfer software. The lower price for leased software may allow banks with smaller volumes to upgrade their systems and to continue to offer economical wire transfer services.

Small Payments Channel

Paper and electronic checks dominate the small-payments channel. The wholesale paper-check system is similar to the retail system. The principal difference is that the issuer is an institution rather than an individual.

The electronic check system, a recent development in this channel, refers to payments through an automated clearinghouse (ACH). The ACH payment, which replaces the corporate paper check with an individual as the payee, is processed the same way as a retail ACH transaction.

The corporate-to-corporate payment — corporate trade payable (CTP) — through an ACH places different demands on both the ACH and the banks, reflecting the need to process large amounts of information along with the actual payment order. More than 500 million wholesale payments — representing 3% of wholesale check volume — are made via ACH. The remaining 17 billion paper checks are divided about equally between those to other wholesale parties and those to individuals (payroll, expenses, and dividends).

Wholesale check processing cost the industry $14 billion in 1984. In 1985, a typical check, which passed through 2.5 banking institutions, cost the banking system around 80 cents (including a portion of the cost of maintaining the branch system), while an ACH transaction costs less than 10 cents.

To many oberservers, paper check processing had advanced close to the physical limits of paper handling; the replacement technology of the electronic check is facing customer resistance on float, format, and security issues.

Yet the stakes in converting from paper to electronic check are high for both the bank and the wholesale customer. If only half of the wholesale checks were converted, the banking system would probably save $6 billion to $8 billion per year.

The benefit to the wholesale customer could be even more significant: An electronic check would be an element of a more extensive automation of a company's internal processing, resulting in savings of $10 billion to $15 billion per year. For example, it is estimated that the automobile industry alone could save $200 per automobile, or roughly $2 billion per year.

Electronic checks will probably not displace a significant percentage of paper checks over the next five years. More than 80% of the wholesale checks written each year is, according to estimates, issued by companies outside of the Fortune 1,000 industrial and the Fortune 500 service companies; providing access to the ACH in a format convenient to these middle-market companies (defined as a company with sales of $5 million to $150 million) is a necessary condition if the conversion is to be widespread. Standardization and marketing are key issues, because most of these smaller companies already utilize personal computers in their operations.

In addition to corporate-to-corporate payments, conversion is proceeding in two other major categories of small funds transfer — dividend and payroll payments. J.P. Morgan & Co. is particularly active in dividend payments and provides a zero balance account for them.

Other institutions, such as BankAmerica Corp., Valley National Corp., and First Wachovia Corp., are marketing direct-pay or direct-deposit payroll programs and have demonstrated a considerable potential for conversion, especially for middle-market companies. One of the inhibitors facing such programs is the reluctance of employees to agree to receive their pay in an account at a bank with which they do not normally do business.

Chase Manhattan Corp. and BankAmerica Corp. have announced the formation of private ACHs. The move was intended to enable them to negotiate better processing fees from the Federal Reserve or GEISCO and to influence National Automated Clearing House Association development more directly through representation on its board.

Chase Manhattan has also announced its intention to develop a service that will link networks in the United States with equivalent networks in Europe and Japan. The challenges of implementation include technical issues (conversion of the varied formats) and legal concerns (national restrictions on the transfer of data across borders).

First Wachovia Corp. is representative of a small group of banks that is increasing quality, while reducing processing costs by working with the regional Federal Reserve banks to improve the transmission process by using electronic, rather than tape, data transfer.

PNC Financial Corp has initiated a service that automatically strips the descriptive data from a corporate trade payable message and reformats the data into the standard lockbox format that the receiving company is able to receive electronically.

Payroll Plus, BankAmerica Corp.'s computerized payroll system, was expanded in 1985. Developed by a subsidiary, the system provides overnight processing for companies with 10 to 1,000 employees.

Northern Trust Co. and NBD Bancorp have announced plans to franchise ACH access systems that are applicable to middle-market companies to their correspondent or fellow network banks.

Transactions Services

In addition to the check processing system and the funds transfer system, wholesale payments require three transaction processing services: management of receivables, payables, and investments. These transaction services can be expensive to develop, install, and maintain. With the exception of image processing technology, little in the way of new technology will outdate the current systems.

Outlook

A distinguishing factor in the wholesale payments system — once effective networks are in place — will be the quality of transaction services. Certain systems, such as funds transfer, offer economies of scale that are leading to industry consolidation. Other systems, such as retail lockboxes, are local or regional.

In all cases, however, it is the quality of the processing system and, in particular, the appropriate use of technology that will distinguish banks, not the degree to which they use the latest technology.

Security Pacific's Service Level Agreement and First Chicago's Performance Measurement System are examples of successful quality insurance programs. Both programs provide meaningful and credible correlations between the quality of work and employee compensation. ■

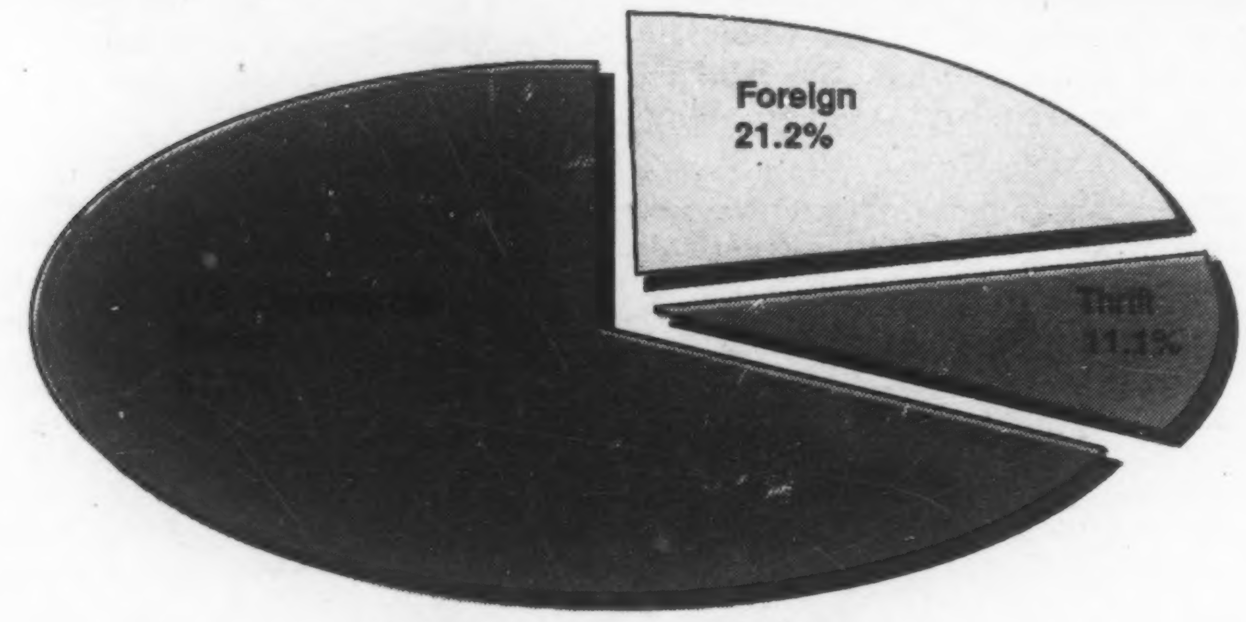
> ***"Yet the stakes in converting from paper to electronic check are high for both the bank and the wholesale customer. If only half the wholesale checks were converted, the banking system would probably save $6 billion to $8 billion per year."***

American Banker STATISTICS REVIEW

TWENTY-FIFTH ANNUAL SURVEY

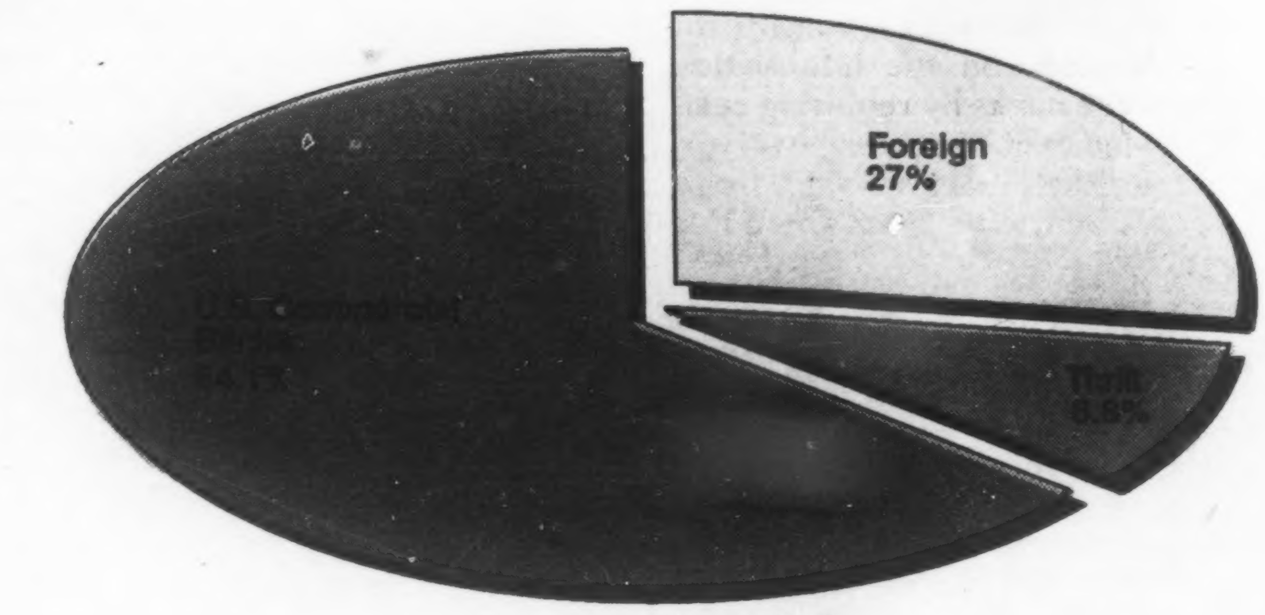
Correspondent Banking

Total Correspondent Balances: A Comparison 1984-1987



1987
In billions of dollars

Total:	$45.8
Domestic:	36.1
1.U.S. Commercial	31.0
2.Thrifts	5.1
Foreign:	9.7
Number of banks with $10 million or more in balances	394



1984
In billions of dollars

Total:	$39.6
Domestic:	28.1
1.U.S. Commercial	25.4
2.Thrifts	3.5
Foreign:	10.7
Number of banks with $10 million or more in balances	336

Top 25 Correspondent Banks

Total Correspondent Balances (In Thousands of Dollars)
Compiled by American Banker Copyright 1987

THEN: 25 Years Ago

Rank		9/30/62
1	**Chase Manhattan Bank, New York**	$1,259,113
2	**First National City Bank, New York**	768,436
3	**Manufacturers Hanover Trust Co., New York**	704,956
4	**Morgan Guaranty Trust Co., New York**	698,404
5	**Continental Illinois Nat'l Bank & Trust Co., Chicago**	562,275
6	**Chemical Bank New York Trust Co.**	449,617
7	**Bankers Trust Co., New York**	441,820
8	**Irving Trust Co., New York**	336,291
9	**First National Bank, Chicago**	331,695
10	**First National Bank, Dallas**	261,510
11	**Republic National Bank, Dallas**	225,285
12	**Philadelphia National Bank**	201,581
13	**First Pennsylvania Banking & Trust Co., Philadelphia**	200,400
14	**First National Bank, Boston**	197,199
15	**First City National Bank, Houston**	171,841
16	**National Bank of Detroit**	170,367
17	**Bank of America NT&SA, San Francisco**	165,980
18	**Mercantile Trust Co., St. Louis**	154,010
19	**Commercial Trust Co., Kansas City, Mo.**	147,142
20	**Mellon National Bank & Trust Co., Pittsburgh**	144,425
21	**First National Bank, St. Louis**	136,384
22	**Harris Trust & Savings Bank, Chicago**	124,056
23	**Marine Midland Trust Co., New York**	118,088
24	**First Wisconsin National Bank, Milwaukee**	116,180
25	**Northwestern National Bank, Minneapolis**	116,087

NOW: This Year

Rank		6/30/87
1	**Chase Manhattan Bank NA, New York**	$2,858,152
2	**Manufacturers Hanover Trust Co., New York**	2,245,000
3	**Citibank NA, New York**	2,236,000
4	**Bankers Trust Co., New York**	2,009,037
5	**Irving Trust Co., New York**	1,670,193
6	**First RepublicBank Dallas NA**	1,048,324
7	**Chemical Bank, New York**	1,039,000
8	**First National Bank, Chicago**	979,118
9	**Morgan Guaranty Trust Co., New York**	921,792
10	**First Interstate Bank of California, Los Angeles**	871,666
11	**Philadelphia National Bank**	860,301
12	**Security Pacific National Bank, Los Angeles**	824,792
13	**Bank of America NT&SA, San Francisco**	786,000
14	**Union Bank, Los Angeles**	686,539
15	**Continental Illinois Nat'l Bank & Trust Co., Chicago**	574,948
16	**MBank Dallas NA**	554,976
17	**National Bank of Detroit**	530,316
18	**First National Bank, Boston**	529,623
19	**Harris Trust & Savings Bank, Chicago**	519,778
20	**Connecticut National Bank, Hartford**	453,570
21	**First Tennessee Bank NA, Memphis**	423,866
22	**Mellon Bank NA, Pittsburgh**	404,606
23	**Norwest Bank Minneapolis NA**	388,047
24	**First National Bank St. Paul, Minn.**	379,078
25	**Texas Commerce Bank NA, Houston**	358,784

Top 300 Banks in Total Correspondent Balances

Ranked by Demand Deposits Due All Banks (Dollar Figures in Thousands)

Compiled by American Banker Copyright 1987

Rank 6/87		Demand Deposits Due to All Banks		Rank 6/30/86	Gain in Rank	Time and Savings Deposits Due to All Banks	
		6/30/87	6/30/86			6/30/87	6/30/86
1	Chase Manhattan Bank NA, New York	2,858,152	3,327,307	1		138,937	191,187
2	Manufacturers Hanover Trust Co., New York	2,245,000	2,900,803	2		322,000	1,191,993
3	Citibank NA, New York	2,236,000	2,648,316	3		82,000	127,258
4	Bankers Trust Co., New York	2,009,037	1,830,611	4		272,324	586,192
5	Irving Trust Co., New York	1,670,193	1,342,068	6	+1	171,736	135,013
6	First RepublicBank Dallas NA	1,048,324	404,822	19	+13	398,505	189,545
7	Chemical Bank, New York	1,039,000	1,801,803	5		188,000	145,511
8	First National Bank, Chicago	979,118	670,636	13	+5	223,814	397,416
9	Morgan Guaranty Trust Co., New York	921,792	945,209	8		641,056	498,418
10	First Interstate Bank of California, Los Angeles	871,666	823,850	11	+1	33,971	28,210
11	Philadelphia National Bank	860,301	882,221	9		185,418	199,587
12	Security Pacific National Bank, Los Angeles (x)	824,792	603,093	14	+2	28,952	30,885
13	Bank of America NT&SA, San Francisco (x)	786,000	1,246,565	7		150,000	480,113
14	Union Bank, Los Angeles	686,539	540,918	16	+2	23,515	22,064
15	Continental Illinois National Bank & Trust Co., Chicago (x)	574,948	742,226	12		265,252	770,203
16	MBank Dallas NA	554,976	305,811	25	+9	759,999	234,048
17	National Bank of Detroit	530,316	341,219	21	+4	97,395	34,295
18	First National Bank, Boston (x)	529,623	573,624	15		5,346	7,832
19	Harris Trust & Savings Bank, Chicago	519,778	463,368	17		1,982	32,966
20	Connecticut National Bank, Hartford	453,570	322,816	23	+3	2,428	1,398
21	First Tennessee Bank NA, Memphis	423,866	241,068	37	+16	0	0
22	Mellon Bank NA, Pittsburgh (x)	404,606	824,376	10		257,543	323,376
23	Norwest Bank Minneapolis NA	388,047	377,140	20		15,202	107,374
24	First National Bank St. Paul, Minn.	379,078	276,592	29	+5	196,849	125,503
25	Texas Commerce Bank NA, Houston	358,784	312,156	24		2,000	10,613
26	Brown Brothers Harriman & Co., New York	358,503	159,950	61	+35	22,635	39,199
27	Wells Fargo Bank NA, San Francisco	346,797	407,707	18		6,298	11,400
28	Bank of New York	336,174	243,407	36	+8	500	2,013
29	Northern Trust Co., Chicago	306,704	332,124	22		31,291	19,792
30	First Wisconsin National Bank, Milwaukee	306,526	275,462	30		51,508	50,496
31	Marine Midland Bank NA, Buffalo, N.Y.	304,092	269,486	31		2,445	5,692
32	United Bank of Denver NA	289,681	235,197	38	+6	225,020	139,679
33	American National Bank & Trust Co., Chicago	287,801	247,506	35	+2	0	0
34	First National Bank of Atlanta	263,647	208,033	44	+10	45,049	51,755
35	Community Bank, Huntington Park, Calif.	262,291	234,430	39	+4	14,486	4,550
36	Centerre Bank NA, St. Louis, Mo.	262,134	259,830	33		77,150	64,399
37	Indiana National Bank, Indianapolis	243,793	282,449	28		31,164	18,624
38	Citizens & Southern National Bank, Atlanta	242,915	183,161	55	+17	14,426	12,712
39	Connecticut Bank & Trust Co. NA, Hartford	225,560	203,690	45	+6	4,975	3,025
40	Boatmen's National Bank, St. Louis, Mo.	218,644	253,521	34		20,045	20,301
41	Shawmut Bank NA, Boston	215,557	196,603	49	+8	5,000	10,200
42	Commerce Bank of Kansas City NA, Mo.	207,477	149,022	66	+24	3,716	5,796
43	Savings Banks Trust Co., New York	199,085	157,905	63	+20	1,547	1,483
44	Allied Bank of Texas, Houston	194,165	201,318	46	+2	95,763	205,028
45	M&I Marshall & Ilsley Bank, Milwaukee, Wis.	192,043	192,891	50	+5	158	450
46	Bank of New England NA, Boston	189,832	214,020	41		212,660	48 982
47	United Missouri Bank of Kansas City NA	188,486	198,460	48		18,048	30,298
48	First National Bank of Commerce, New Orleans	188,334	174,064	56	+8	25,517	25,137
49	Valley National Bank, Phoenix, Ariz.	187,623	158,500	62	+13	16,407	9,458
50	Boatmen's First National Bank, Kansas City, Mo.	187,025	141,696	73	+23	17,544	24,554
51	Liberty National Bank & Trust Co., Louisville, Ky.	183,865	189,880	51		5,637	15,540
52	Southeast Bank NA, Miami	183,483	222,651	40		1,997	24,000
53	MBank Houston NA	182,549	187,376	52		442,454	395,500
54	First Pennsylvania Bank NA, Philadelphia	182,207	162,857	58	+4	92,900	72,225
55	Maryland National Bank, Baltimore	181,489	208,517	43		0	535
56	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	178,948	198,712	47		124,753	89,075
57	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	175,109	157,400	64	+7	11,012	6,567
58	NCNB National Bank of Florida NA, Tampa	174,607	145,298	70	+12	0	0
59	NCNB National Bank of North Carolina, Charlotte	166,784	114,334	82	+23	15,514	4,800
60	Texas American Bank/Fort Worth NA	166,775	135,131	75	+15	465,495	242,345
61	First RepublicBank Houston NA	159,653	73,900	120	+59	17,754	0
62	Mercantile Bank NA, St. Louis, Mo.	159,520	154,957	65	+3	59,214	410,675
63	European American Bank, New York	148,228	294,825	27		36,703	81,243
64	Pittsburgh National Bank	147,783	295,595	26		213,235	109,776
65	Crestar Bank, Richmond	145,453	173,266	57		22,890	29,481
66	Mellon Bank (East), Philadelphia	142,991	122,625	79	+13	123,057	42,179
67	Trust Company Bank, Atlanta	141,167	146,392	69	+2	12,569	17,073
68	Rainier National Bank, Seattle	138,148	105,783	89	+21	70,060	31,394
69	First National Bank, Louisville, Ky.	135,937	102,678	93	+24	6,039	9,524
70	First National Bank, Minneapolis	132,414	187,199	53		62,835	118,852
71	First Fidelity Bank NA, Newark, N.J.	129,692	75,409	118	+47	21,304	13,387
72	First Florida Bank NA, Tampa	125,549	147,793	68		100	1,142
73	Provident National Bank, Philadelphia	123,702	148,292	67		111,287	105,045
74	First City National Bank, Houston	121,284	213,361	42		693,368	402,023
75	National Westminster Bank USA, New York	121,057	161,767	60		125,935	1,450
76	State Street Bank & Trust Co., Boston	120,399	183,735	54		59,057	8,939
77	Sun Bank NA, Orlando, Fla.	118,022	162,173	59		0	0
78	First Interstate Bank of Denver NA	117,201	95,804	99	+21	83,728	53,164
79	AmeriTrust Co. NA, Cleveland	117,183	118,101	81	+2	41,692	10,725
80	Merchants National Bank & Trust Co., Indianapolis	116,282	86,615	107	+27	3,544	11,833
81	Midlantic National Bank/North, West Paterson, N.J.	110,444	109,779	85	+4	0	0
82	Bank South NA, Atlanta	110,424	110,703	84	+2	80,255	32,314
83	Bank One Indianapolis NA	107,586	135,773	74		47,327	105,453
84	SouthTrust Bank of Alabama NA, Birmingham	105,909	106,559	88	+4	43,900	32,190
85	Seattle-First National Bank	105,840	104,501	90	+5	19,668	24,084
86	Sovran Bank NA, Richmond	105,227	79,127	112	+26	140,377	101,014
87	Barnett Bank of South Florida NA, Miami	104,370	47,118	164	+77	0	0
88	Texas Commerce Bank-Dallas NA	103,996	128,399	76		3,634	679
89	Marine Bank NA, Milwaukee, Wis.	103,751	100,258	95	+6	90,450	77,456
90	Riggs National Bank, Washington, D.C.	103,480	112,340	83		7,520	19,309
91	Fidelity Bank, Philadelphia (x)	101,007	94,730	102	+11	194,405	4,525
92	National City Bank, Cleveland	97,179	95,379	100	+8	4,491	2,661
93	Colorado National Bank, Denver	96,926	91,242	105	+12	19,561	9,111
94	Deposit Guaranty National Bank, Jackson, Miss.	96,512	77,036	113	+19	24,648	20,260
95	First City Bank, Dallas	95,978	94,021	103	+8	133,462	119,726
96	First National Bank of Maryland, Baltimore	95,411	108,385	86		0	0
97	Frost National Bank, San Antonio, Tex.	94,636	73,303	122	+25	0	0
98	Dominion Bank NA, Roanoke, Va.	93,822	119,730	80		5,434	15,458
99	Comerica Bank-Detroit	92,754	103,892	91		14,713	15,214
100	IBJ Schroder Bank & Trust Co., New York	88,370	53,134	150	+50	80,745	60,060

Total correspondent balances are the sum of domestic correspondent balances and foreign correspondent balances. **Domestic correspondent balances** are domestically-booked demand deposits due to other depository institutions in the U.S. (thrift institutions) plus domestically-booked demand deposits due to other U.S. commercial banks in the U.S. **Foreign correspondent balances** are domestically-booked demand deposits due other banks in foreign countries; domestically-booked demand deposits due foreign government and official institutions; and clearing balances in the bank's domestic Edge bank subsidiaries. **Clearing balances** are the sum of transaction accounts due foreign government and official institutions; transaction accounts due commercial banks in the U.S.; and transaction accounts due banks in foreign countries. **Time and savings deposits due to all banks** are nontransaction accounts due all domestic and foreign banks, as defined above. The sum of demand deposits due to all banks plus time and savings deposits due to all banks are called **total interbank deposits.** (x)— The data for 6/30/87 do not include the clearing balances of the bank's Edge bank subsidiary. Therefore, the 6/30/87 and 6/30/86 data for this bank are not comparable.

Top 300 Banks in Total Correspondent Balances

Ranked by Demand Deposits Due All Banks (Dollar Figures in Thousands)

Compiled by American Banker Copyright 1987

Rank 6/87		Demand Deposits Due to All Banks 6/30/87	6/30/86	Rank 6/30/86	Gain In Rank	Time and Savings Deposits Due to All Banks 6/30/87	6/30/86
101	**FirsTier Bank NA, Lincoln, Neb.**	87,776	68,923	130	+29	3,463	427
102	**Liberty National Bank & Trust Co., Oklahoma City**	86,767	95,280	101		6,214	12,752
103	**Barnett Bank of Tampa NA, Fla.**	86,549	76,510	115	+12	0	0
104	**First Commercial Bank NA, Little Rock, Ark.**	86,267	64,747	132	+28	0	3,401
105	**Trustmark National Bank, Jackson, Miss.**	82,588	31,478	206	+101	1,288	1,580
106	**Merchants National Bank, Cedar Rapids, Iowa**	81,567	88,668	106		12,904	19,196
107	**National Bank of Commerce T&S Assn., Lincoln, Neb.**	80,378	58,265	140	+33	300	200
108	**FirsTier Bank NA, Omaha, Neb.**	79,226	71,829	123	+15	0	106
109	**American Security Bank NA, Washington, D.C.**	77,115	32,454	202	+93	40,746	18,897
110	**Bank IV Wichita NA, Kan.**	76,364	57,942	141	+31	28,596	51,526
111	**South Carolina National Bank, Columbia**	76,271	79,866	111		16,250	0
112	**Central Bank of Denver**	76,111	70,918	124	+12	183,361	115,873
113	**Barnett Bank of Jacksonville NA, Fla.**	75,379	98,716	97		0	0
114	**MBank Corpus Christi NA, Tex.**	70,394	93,809	104		61,550	59,230
115	**Marquette Bank Minneapolis NA**	69,771	61,028	134	+19	6,502	1,818
116	**First National Bank, Cincinnati**	69,240	73,458	121	+5	30,076	13,089
117	**Norwest Bank Des Moines NA, Iowa**	68,590	56,902	144	+27	500	600
118	**Exchange National Bank, Chicago**	68,539	45,041	171	+53	3,000	4,962
119	**Equitable Bank NA, Baltimore**	67,981	100,228	96		2,440	2,370
120	**Central Bank of the South, Birmingham, Ala.**	67,895	85,566	108		43,406	11,128
121	**First Interstate Bank of Oklahoma NA, Oklahoma City**	67,447	......	...		4,645	.....
122	**National Community Bank, Rutherford, N.J.**	67,222	69,327	128	+6	0	0
123	**Fifth Third Bank, Cincinnati**	67,208	59,361	137	+14	8,958	2,914
124	**Third National Bank, Nashville, Tenn.**	66,356	83,195	109		18,263	16,128
125	**United States National Bank, Portland, Ore.**	66,123	82,431	110		0	0
126	**BayBank Boston NA**	65,818	101,492	94		0	0
127	**Zions First National Bank, Salt Lake City, Utah**	63,931	60,637	135	+8	8,947	6,447
128	**First Interstate Bank of Des Moines NA, Iowa**	63,037	46,643	166	+38	3	310
129	**Bank of Oklahoma NA, Tulsa**	62,918	52,052	153	+24	77,478	74,352
130	**National Bank of Commerce, Memphis**	62,541	51,027	156	+26	7,215	10,772
131	**RepublicBank San Antonio NA, Tex.**	62,341	32,701	201	+70	40,367	4,195
132	**American National Bank & Trust Co., St. Paul, Minn.**	62,236	53,963	149	+17	14,356	12,796
133	**Peoples National Bank of Washington, Seattle**	61,902	69,197	129		2,429	11,786
134	**Hibernia National Bank, New Orleans**	60,850	51,885	155	+21	35,172	28,032
135	**Old National Bank of Washington, Spokane**	60,388	30,261	215	+80	0	0
136	**First National Bank, Omaha, Neb.**	59,[illegible]	69,394	127		17,268	308
137	**Shawmut Worcester County Bank NA, Worcester, Mass.**	58,666	56,069	146	+9	12,198	4,800
138	**First Union National Bank of Florida, Jacksonville**	57,405	30,312	214	+76	487	565
139	**NBC Bank-San Antonio NA, Tex.**	57,120	62,463	133		3,050	14,019
140	**California First Bank, San Francisco**	56,020	97,313	98		0	0
141	**First American Bank NA, Washington, D.C.**	55,927	34,203	194	+53	46,943	40,669
142	**Sun Bank/Miami NA**	55,340	40,862	177	+35	0	7,000
143	**Arizona Bank, Phoenix**	54,078	58,465	139		19	49
144	**Bank of California NA, San Francisco (x)**	53,934	126,208	78		11,959	11,590
145	**National State Bank, Elizabeth, N.J.**	52,549	52,877	151	+6	0	0
146	**Midlantic National Bank, Newark, N.J.**	51,497	76,403	116		30	4
147	**Norwest Bank Nebraska NA, Omaha, Neb.**	51,432	74,941	119		0	9,311
148	**First National Bank, Lubbock, Tex.**	51,087	52,749	152	+4	9,795	15,900
149	**First National Bank & Trust Co., Tulsa, Okla.**	51,057	56,524	145		7,387	350
150	**Republic National Bank, New York**	50,644	40,297	178	+28	38,571	556
151	**Security National Bank, Sioux City, Iowa**	50,495	58,758	138		11	200
152	**AmSouth Bank NA, Birmingham, Ala.**	50,422	54,169	148		139,342	103,933
153	**Mercantile-Safe Deposit & Trust Co., Baltimore**	50,351	75,691	117		0	0
154	**Worthen Bank & Trust Co. NA, Little Rock, Ark.**	50,119	45,271	169	+15	10,405	8,884
155	**United Jersey Bank, Hackensack, N.J.**	49,757	48,027	159	+4	1	0
156	**Commerce Union Bank, Nashville, Tenn.**	49,598	47,953	160	+4	100	100
157	**Associated Kellogg Bank, Green Bay, Wis.**	49,365	32,261	203	+46	300	400
158	**Signet Bank/Maryland, Baltimore**	49,327	69,888	125		2,567	1,398
159	**Centerre Bank of Kansas City NA, Mo.**	48,477	54,509	147		15,623	14,405
160	**MBank El Paso NA, Tex.**	48,231	60,540	136		2,988	3,557
161	**First National Bank, Albuquerque, N.M.**	48,228	29,990	218	+57	2,919	10,408
162	**Victoria Bank & Trust Co., Tex.**	47,075	47,574	162		2,861	8,800
163	**First American National Bank, Nashville, Tenn.**	46,799	45,091	170	+7	37,359	1,550
164	**Whitney National Bank, New Orleans**	46,606	49,551	157		0	553
165	**First Bank Milwaukee NA**	46,120	33,172	199	+34	22,083	26,168
166	**LaSalle National Bank, Chicago**	45,667	45,335	168	+2	36,938	18,060
167	**MBank Fort Worth NA, Tex.**	45,640	47,739	161		37,764	51,709
168	**Union Planters National Bank, Memphis, Tenn.**	43,229	30,969	209	+41	71	165
169	**Key Bank NA, Albany, N.Y.**	43,159	69,733	126		0	0
170	**First State Bank, Abilene, Tex.**	42,530	45,969	167		19,702	75,162
171	**Bank IV Topeka NA, Topeka, Kan.**	42,369	40,981	176	+5	0	0
172	**Citizens National Bank, Evansville, Ind.**	42,282	39,629	180	+8	0	0
173	**First RepublicBank Austin NA, Tex.**	42,101	103,433	92		25,789	2,987
174	**First National Bank & Trust Co., Helena, Mont.**	41,952	......	...		0	.....
175	**Bank One Columbus NA, Ohio**	41,881	76,967	114		23,000	194,845
176	**Manufacturers National Bank, Detroit**	41,765	49,284	158		5,996	4,994
177	**Barnett Bank of Central Florida NA, Winter Park**	40,036	39,289	183	+6	0	0
178	**Manufacturers & Traders Trust Co., Buffalo, N.Y.**	39,776	34,202	195	+17	3,705	1,984
179	**Bank of Hawaii, Honolulu**	39,758	33,785	197	+18	1,000	550
180	**Denver National Bank**	38,858	11,699	353	+173	4,407	6,236
181	**Oregon Bank, Portland**	38,464	22,176	266	+85	188	470
182	**Security Bank of Kansas City, Kan.**	38,381	37,224	184	+2	65,978	34,710
183	**Commercial National Bank, Shreveport, La.**	37,782	46,695	165		4,119	9,897
184	**Old National Bank, Evansville, Ind.**	37,375	35,792	187	+3	487	600
185	**Barclays Bank of New York NA**	37,061	23,835	258	+73	7,817	69
186	**BankAmerica Trust Co., New York**	36,673	......	...		0	.....
187	**Boatmen's National Bank, Springfield, Mo.**	36,129	30,173	217	+30	850	1,250
188	**City National Bank, Beverly Hills, Calif.**	35,988	24,494	252	+64	400	400
189	**First Interstate Bank of Oregon NA, Portland**	35,881	26,220	240	+51	0	2,399
190	**Davenport Bank & Trust Co., Iowa**	35,741	28,035	225	+35	52,009	20,775
191	**First Security Bank of Utah NA, Ogden**	35,644	47,273	163		0	0
192	**Meridian Bank, Reading, Pa.**	35,560	42,964	174		31,884	1,731
193	**Central Trust Co. NA, Cincinnati**	35,162	20,099	275	+82	0	0
194	**First Interstate Bancard Co. NA, Simi Valley, Calif.**	35,000	......	...		0	.....
195	**Allied Bank of Dallas**	34,851	35,174	189		103,903	135,839
196	**BancOhio National Bank, Columbus**	34,541	51,959	154		0	0
197	**NCNB South Carolina, Columbia**	33,584	36,339	186		0	73
198	**First Security Nat'l Bank & Trust Co., Lexington, Ky.**	33,398	39,389	182		18,519	10,400
199	**National Bank of Waterloo, Iowa**	33,281	34,483	192		0	0
200	**First National Bank, Belleville, Ill.**	32,955	29,066	222	+22	300	400

Total correspondent balances are the sum of domestic correspondent balances and foreign correspondent balances. **Domestic correspondent balances** are domestically-booked demand deposits due to other depository institutions in the U.S. (thrift institutions) plus domestically-booked demand deposits due to other U.S. commercial banks in the U.S. **Foreign correspondent balances** are domestically-booked demand deposits due other banks in foreign countries; domestically-booked demand deposits due foreign government and official institutions; and clearing balances in the bank's domestic Edge bank subsidiaries. **Clearing balances** are the sum of transaction accounts due foreign government and official institutions; transaction accounts due commercial banks in the U.S.; and transaction accounts due banks in foreign countries. **Time and savings deposits due to all banks** are nontransaction accounts due all domestic and foreign banks, as defined above. The sum of **demand deposits due** to all banks plus time and savings deposits due to all banks are called **total interbank deposits.** **(x)— The data for 6/30/87 do** not include the clearing balances of the bank's Edge bank subsidiary. Therefore, the 6/30/87 and 6/30/86 data for this bank are not comparable.

American Banker
CORRESPONDENT BANKS

Top 300 Banks in Total Correspondent Balances

Ranked by Demand Deposits Due All Banks (Dollar Figures in Thousands)

Compiled by American Banker Copyright 1987

Rank 6/87		Demand Deposits Due to All Banks		Rank	Gain	Time and Savings Deposits Due to All Banks	
		6/30/87	6/30/86	6/30/86	In Rank	6/30/87	6/30/86
201	Texas Independent Bank, Irving, Tex.	32,854	27,005	233	+32	73,788	103,550
202	Hartford Trust Co. of New York	32,531	15,147	308	+106	0	0
203	Independent State Bank of Minnesota, Minneapolis	32,269	26,867	235	+32	435	0
204	Bank of Boston Connecticut, Waterbury	32,012	40,137	179		174	476
205	Terre Haute First National Bank, Ind.	31,782	18,003	289	+84	0	0
206	Bankers' Bank of Wisconsin, Madison	30,917	......	...		0	.....
207	Society National Bank, Cleveland	30,728	107,779	87		0	193
208	MBank Alamo NA, San Antonio, Tex.	30,444	26,167	242	+34	530	1,530
209	First RepublicBank Fort Worth NA, Tex.	30,409	57,737	142		23,735	24,500
210	First Interstate Bank of Arizona NA, Phoenix	29,912	39,548	181		0	0
211	First National Bank, Wichita, Kan.	29,651	33,166	200		3,432	8,396
212	Amarillo National Bank, Tex.	29,614	29,573	220	+8	860	6,500
213	United Missouri Bank of St. Louis, Clayton	29,456	12,798	333	+120	0	0
214	MBank Austin NA, Tex	28,305	30,335	213		8,340	27,152
215	First Bank Minnesota NA, Virginia	28,017	......	...		0	.....
216	First City National Bank of Beaumont, Tex.	27,942	41,077	175		5,480	1,370
217	National Bank of Georgia, Atlanta	27,791	43,173	173		1,763	10,356
218	First RepublicBank Lubbock NA, Tex.	27,501	19,867	278	+60	8,432	14,790
219	Texas Commerce Bank-Austin NA	27,157	29,887	219		9,816	19,495
220	Bankers Trust Co., Des Moines, Iowa	27,063	26,658	238	+18	1,000	2,022
221	First of America-Detroit NA	27,019	28,775	223	+2	0	0
222	First Union Bank of Augusta, Augusta	26,972	25,416	246	+24	575	750
223	United New Mexico Bank, Albuquerque	26,925	26,854	236	+13	400	1,500
224	Indian Head National Bank, Nashua, N.H.	26,885	26,947	234	+10	8,200	3,992
225	First National Bank, Amarillo, Tex.	26,787	27,574	231	+6	6,190	8,118
226	First RepublicBank Waco NA, Tex.	26,754	34,538	191		757	300
227	Bank of Canton of California, San Francisco	26,717	10,751	369	+142	264,000	143,397
228	Independent Bankers' Bank of Florida, Orlando	26,036	......	...		0	.....
229	First Bank Grand NA, St. Paul, Minn.	26,011	......	...		0	.....
230	First National Bank, Bozeman, Mont.	25,974	......	...		0	.....
231	Hutchinson National Bank & Trust Co., Kan.	25,921	22,748	263	+32	100	1,100
232	First Wisconsin National Bank, Eau Claire	25,882	19,291	281	+49	0	0
233	American National Bank & Trust Co., Chattanooga, Tenn.	25,786	24,266	256	+23	0	0
234	Sunwest Bank of Albuquerque NA, N.M.	25,772	25,860	244	+10	0	1,000
235	Old Kent Bank & Trust Co., Grand Rapids, Mich.	25,729	30,940	210		0	0
236	Citibank (Nevada) NA, Las Vegas	25,478	......	...		479,000	.....
237	Commercial National Bank, Kansas City, Kan.	25,190	31,884	205		0	200
238	Israel Discount Bank of New York	25,076	33,991	196		475	483
239	Lincoln National Bank & Trust Co., Fort Wayne, Ind.	24,937	32,126	204		14,453	2,804
240	Cullen Center Bank & Trust Co., Houston	24,904	27,935	227		12,525	18,505
241	Commercial National Bank of Peoria, Ill.	24,881	21,526	269	+28	0	0
242	First Bank Butte NA, Butte, Mont.	24,703	......	...		0	.....
243	First City National Bank Austin, Tex.	24,698	23,393	262	+19	53,471	63,837
244	Boston Safe Deposit & Trust Co.	24,458	34,462	193		157,949	106,518
245	Daiwa Bank Trust Co., New York	24,343	......	...		0	.....
246	Cole Taylor Bank/Drovers, Chicago	24,150	19,971	277	+31	2,130	700
247	First National Bank, Shreveport, La.	23,791	27,082	232		3,300	3,975
248	Bank of New England-West NA, Springfield, Mass.	23,584	15,065	310	+62	0	0
249	Commonwealth National Bank, Harrisburg, Pa.	23,179	24,410	254	+5	413	1,133
250	Florida National Bank of Jacksonville	23,144	24,425	253	+3	2,226	8,819
251	United Bank of Arizona, Phoenix	23,106	17,755	290	+39	100	4,300
252	First RepublicBank Tyler NA, Tex.	22,871	25,902	243		19,824	400
253	First National Bankers' Bank, Baton Rouge, La.	22,650	......	...		0	.....
254	Capital Bank & Trust Co., Baton Rouge, La.	22,503	35,695	188		32,090	42,943
255	MBank Waco NA, Tex.	22,495	27,907	228		16,609	6,187
256	First American National Bank, Kingsport, Tenn.	22,386	22,559	264	+8	800	500
257	First Wyoming Bank Cheyenne	22,320	......	...		0	.....
258	First Bank of North Dakota NA-Jamestown	22,035	......	...		1	.....
259	Rainier Bank Oregon NA, Portland	21,809	......	...		0	.....
260	Puget Sound National Bank, Tacoma, Wash.	21,768	18,161	288	+28	0	0
261	Capital City First National Bank, Tallahasse, Fla.	21,669	30,824	211		120	170
262	Union Trust Co., Stamford, Conn.	21,611	33,201	198		0	0
263	Michigan National Bank, Farmington Hills	21,431	......	...		0	.....
264	Norwest Bank St. Paul NA, Minn.	21,388	15,209	307	+43	18	2
265	Society Bank NA, Dayton, Ohio	21,277	25,091	250		0	3,491
256	First National Bank & Trust Co., Bismarck, N.D.	21,208	......	...		0	.....
267	Charleston National Bank, W. Va.	21,156	19,081	283	+16	4,714	4,373
268	American Bank & Trust Co., Baton Rouge, La.	20,983	21,729	268		14,263	26,582
269	Chinese American Bank, New York	20,803	19,801	279	+10	0	0
270	Central Bank, San Francisco	20,385	14,955	312	+42	12,695	28,600
271	First Bank Billings NA, Mont.	20,334	1	0		0	0
272	First Union National Bank, Charlotte, N.C.	20,271	22,248	265		13,100	4,500
273	First American National Bank of Knoxville, Tenn.	20,254	20,903	270		900	0
274	BayBank Middlesex, Burlington, Mass.	20,239	20,177	273		85,272	306
275	Fourth National Bank, Tulsa, Okla.	20,121	23,493	260		6,382	13,434
276	First Westside Bank, Great Falls, Mont.	20,051	......	...		0	.....
277	First National Bank, Miles City, Mont.	20,026	......	...		0	.....
278	First National Bank, Branierd, Minn.	20,000	......	...		0	.....
279	First Bank Washington, Omak	20,000	......	...		0	.....
280	Fleet National Bank, Providence, R.I.	19,878	27,780	229		0	0
281	First Bank NA-Western Montana, Missoula	19,859	......	...		30	.....
282	Texas Commerce Bank-El Paso, Tex.	19,684	24,693	251		0	0
283	First Los Angeles Bank	19,662	11,156	363	+80	45,000	25,000
284	First-Citizens Bank & Trust Co., Raleigh, N.C.	19,624	24,258	257		30	34
285	United States Trust Co., Boston	19,009	......	...		15,579	.....
286	Fort Wayne National Bank, Ind.	18,871	16,656	296	+10	1,500	1,615
287	NBD Grand Rapids NA, Mich.	18,785	20,730	272		0	0
288	Citibank (Delaware), New Castle	18,565	15,657	300	+12	0	0
289	Norwest Bank South Dakota NA, Sioux Falls	18,556	17,416	293	+4	0	0
290	Wilmington Trust Co., Del.	18,518	12,079	347	+57	0	0
291	First Interstate Bank, Albuquerque, N.M.	18,349	......	...		63,400	.....
292	First National Bank, Elkhart, Ind.	18,087	25,208	248		200	900
293	First Alabama Bank, Montgomery	17,853	29,242	221		43,227	17,098
294	First City National Bank, Tyler, Tex.	17,821	27,955	226		8,145	6,553
295	Sanwa Bank California, San Francisco	17,816	3,288	0		27,304	16,450
296	Union National Bank, Little Rock, Ark.	17,730	14,996	311	+15	200	200
297	Union National Bank, Pittsburgh	17,763	12,167	345	+48	0	0
298	First Interstate Bank of Billings NA	17,658	15,625	301	+3	1,317	900
299	Independent State Bank, Denver	17,203	11,204	361	+62	0	2,498
300	Affiliated Bank/North Shore NA, Chicago	17,104	11,298	358	+58	0	0

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Top Banks in Domestic Correspondent Balances

Ranked by Demand Deposits Due U.S. Banks (Dollar Figures in Thousands)

Compiled by American Banker Copyright 1987

Rank 6/87		Demand Deposits Due U.S. Banks		Rank	Gain	Time and Svgs Dep. Due U.S. Banks	
		6/30/87	6/30/86	6/30/86	In Rank	6/30/87	6/30/86
1	Chase Manhattan Bank NA, New York	1,693,822	1,846,021	2	+1	53,919	58,206
2	Manufacturers Hanover Trust Co., New York	1,307,000	2,143,749	1		258,000	1,151,779
3	Bankers Trust Co., New York	1,154,573	968,562	3		259,204	424,354
4	First RepublicBank Dallas NA	1,011,157	381,697	17	+ 13	398,505	189,545
5	Security Pacific National Bank, Los Angeles	797,441	514,169	10	+5	28,952	27,385
6	First Interstate Bank of California, Los Angeles	775,920	724,228	6		15,763	9,618
7	Bank of America NT&SA, San Francisco	688,000	618,000	8	+1	68,000	52,000
8	Union Bank, Los Angeles	659,210	512,277	11	+3	23,515	22,064
9	First National Bank, Chicago	613,029	471,782	12	+3	205,718	372,448
10	Chemical Bank, New York	607,000	968,265	4		94,000	45,348
11	Philadelphia National Bank	600,466	467,687	13	+2	185,008	199,357
12	Citibank NA, New York	600,000	575,000	9		64,000	113,000
13	Irving Trust Co., New York	573,690	753,499	5		156,873	118,550
14	Continental Illinois Nat'l Bank & Trust Co., Chicago	553,102	707,106	7		260,571	759,171
15	MBank Dallas NA	552,288	302,580	23	+8	709,999	172,114
16	National Bank of Detroit	508,412	318,971	21	+5	97,395	34,295
17	Harris Trust & Savings Bank, Chicago	476,512	434,959	15		1,900	32,827
18	Connecticut National Bank, Hartford	449,355	319,418	19	+1	2,428	1,398
19	First National Bank, Boston	446,485	457,333	14		5,000	7,100
20	First Tennessee Bank NA, Memphis	418,416	239,265	34	+ 14	0	0
21	Norwest Bank Minneapolis NA	382,749	362,915	18		15,202	87,874
22	Mellon Bank NA, Pittsburgh	381,657	402,142	16		222,043	292,676
23	First National Bank St. Paul, Minn.	379,078	276,346	28	+5	196,849	125,503
24	Texas Commerce Bank NA, Houston	338,422	300,741	24		2,000	10,613
25	Wells Fargo Bank NA, San Francisco	308,911	313,274	22		6,244	11,226
26	First Wisconsin National Bank, Milwaukee	293,932	262,376	29	+3	51,508	50,496
27	Bank of New York	290,101	183,846	48	+ 21	500	2,013
28	United Bank of Denver NA	282,545	232,646	36	+8	56,594	7,937
29	American National Bank & Trust Co., Chicago	281,971	242,507	33	+4	0	0
30	Morgan Guaranty Trust Co., New York	270,429	319,300	20		542,112	335,424
31	Northern Trust Co., Chicago	264,473	284,148	25		30,962	17,342
32	Community Bank, Huntington Park, Calif.	262,291	234,430	35	+3	14,486	4,550
33	First National Bank of Atlanta	261,016	205,994	38	+5	45,049	51,755
34	Centerre Bank NA, St. Louis, Mo.	259,531	258,039	30		77,150	64,399
35	Indiana National Bank, Indianapolis	242,732	281,806	26		31,164	18,624
36	Connecticut Bank & Trust Co. NA, Hartford	220,441	200,143	42	+6	4,975	3,025
37	Boatmen's National Bank, St. Louis, Mo.	218,550	253,352	32		20,045	20,301
38	Commerce Bank of Kansas City NA, Mo.	206,113	145,999	62	+ 24	3,716	5,796
39	Shawmut Bank NA, Boston	204,488	183,575	49	+ 10	5,000	10,200
40	Savings Banks Trust Co., New York	199,085	157,905	56	+ 16	1,547	1,483
41	Allied Bank of Texas, Houston	191,780	200,599	41		95,763	205,028
42	M&I Marshall & Ilsley Bank, Milwaukee, Wis.	191,531	192,381	45	+3	158	450
43	United Missouri Bank of Kansas City NA	187,090	196,980	44		18,048	30,298
44	Boatmen's First National Bank, Kansas City, Mo.	186,449	140,981	66	+ 22	17,544	24,554
45	First National Bank of Commerce, New Orleans	184,877	167,188	53	+8	24,337	24,429
46	Bank of New England NA, Boston	183,938	189,037	47		211,829	48,826
47	Liberty National Bank & Trust Co., Louisville, Ky.	183,818	189,857	46		5,637	15,540
48	Valley National Bank, Phoenix, Ariz.	179,390	151,125	58	+10	4,407	9,458
49	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	178,852	198,497	43		124,753	89,075
50	First Pennsylvania Bank NA, Philadelphia	177,506	158,327	55	+5	92,900	72,225
51	Maryland National Bank, Baltimore	173,700	205,367	39		0	535
52	NCNB National Bank of Florida NA, Tampa	172,516	145,298	63	+ 11	0	0
53	Southeast Bank NA, Miami	172,083	217,112	37		1,997	24,000
54	MBank Houston NA	171,002	182,241	50		442,454	395,500
55	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	167,317	151,270	57	+2	11,012	6,567
56	Texas American Bank/Fort Worth NA	165,395	133,669	68	+ 12	465,495	242,345
57	NCNB National Bank of North Carolina, Charlotte	159,084	101,110	83	+ 26	15,514	4,800
58	Mercantile Bank NA, St. Louis, Mo.	155,026	149,992	59	+1	59,214	410,675
59	First RepublicBank Houston NA	153,504	71,185	114	+ 55	17,754	0
60	Citizens & Southern National Bank, Atlanta	150,907	98,225	88	+ 28	11,390	8,350
61	Crestar Bank, Richmond	143,531	171,648	52		22,890	29,481
62	Mellon Bank (East), Philadelphia	137,133	111,510	75	+ 13	123,057	42,142
63	First National Bank, Louisville, Ky.	134,989	101,327	82	+ 19	6,039	9,524
64	Pittsburgh National Bank	133,820	279,591	27		212,765	109,526
65	Trust Company Bank, Atlanta	131,152	142,979	64		12,569	17,073
66	First Florida Bank NA, Tampa	125,029	146,707	61		100	1,142
67	Provident National Bank, Philadelphia	123,680	147,446	60		111,287	105,045
68	First Fidelity Bank NA, Newark, N.J.	123,597	67,873	122	+ 54	21,304	13,387
69	Sun Bank NA, Orlando, Fla.	116,916	161,115	54		0	0
70	First National Bank, Minneapolis	115,955	176,542	51		62,835	118,852
71	First City National Bank, Houston	115,323	200,610	40		693,368	399,234
72	First Interstate Bank of Denver NA	115,016	93,833	92	+ 20	83,728	53,164
73	Merchants National Bank & Trust Co., Indianapolis	115,002	85,999	99	+ 26	3,544	11,833
74	AmeriTrust Co. NA, Cleveland	112,302	114,488	74		41,692	10,725
75	Bank South NA, Atlanta	110,389	110,584	76	+1	80,173	32,286
76	Midlantic National Bank/North, West Paterson, N.J.	108,701	108,418	77	+1	0	0
77	Marine Midland Bank NA, Buffalo, N.Y.	107,037	84,120	101	+ 24	2,359	5,359
78	SouthTrust Bank of Alabama NA, Birmingham	105,581	106,057	78		43,900	32,190
79	Bank One Indianapolis NA	105,355	124,296	72		47,327	105,453
80	Texas Commerce Bank-Dallas NA	103,996	128,399	70		3,634	679
81	Sovran Bank NA, Richmond	103,747	75,247	109	+ 28	140,355	100,922
82	Marine Bank NA, Milwaukee, Wis.	102,907	98,477	87	+5	90,450	77,456
83	Rainier National Bank, Seattle	102,409	86,282	98	+ 15	48,598	29,894
84	Barnett Bank of South Florida NA, Miami	100,881	44,758	164	+ 80	0	0
85	Deposit Guaranty National Bank, Jackson, Miss.	96,252	76,730	105	+ 20	24,648	20,260
86	First City Bank, Dallas	95,960	93,988	91	+5	133,462	119,726
87	National City Bank, Cleveland	94,841	92,124	94	+7	4,491	2,661
88	Dominion Bank NA, Roanoke, Va.	93,789	119,713	73		5,434	15,458
89	First National Bank of Maryland, Baltimore	93,615	104,830	79		0	0
90	Colorado National Bank, Denver	92,107	90,699	96	+6	19,561	9,111
91	Fidelity Bank, Philadelphia	89,929	64,164	128	+ 37	194,405	4,525
92	Comerica Bank-Detroit	89,075	98,567	86		14,713	15,214
93	Frost National Bank, San Antonio, Tex.	88,416	67,449	123	+ 30	0	0
94	FirsTier Bank NA, Lincoln, Neb.	87,748	68,816	120	+ 26	3,463	427
95	Liberty National Bank & Trust Co., Oklahoma City	86,632	95,120	90		6,214	12,752
96	Barnett Bank of Tampa NA, Fla.	86,549	76,510	107	+ 11	0	0
97	First Commercial Bank NA, Little Rock, Ark.	86,267	64,747	127	+ 30	0	3,401
98	Trustmark National Bank, Jackson, Miss.	82,578	31,478	197	+ 99	1,288	1,580
99	State Street Bank & Trust Co., Boston	81,946	129,093	69		59,057	8,939
100	Merchants National Bank, Cedar Rapids, Iowa	81,076	88,580	97		12,904	19,196

Domestic correspondent balances are demand deposits due U.S. banks and include: domestically-booked demand deposits due to other depository institutions in the U.S. (thrift institutions) plus domestically-booked demand deposits due to other U.S. commercial banks in the U.S. **Time and savings deposits due to domestic banks** are nontransaction accounts due domestic banks and thrifts.

Top 200 Banks in Thrift Correspondent Balances

(Dollar Figures in Thousands)

Compiled by American Banker Copyright 1987

Rank 6/87		Deposits Due to Thrifts		
		6/30/87	6/30/86	% Chg.
1	Manufacturers Hanover Trust Co., New York	250,000	329,082	- 24.03
2	Union Bank, Los Angeles	236,734	221,350	6.95
3	First Interstate Bank of California, Los Angeles	206,943	212,159	-2.46
4	Savings Banks Trust Co., New York	199,085	157,905	26.08
5	Security Pacific National Bank, Los Angeles	176,468	135,060	30.66
6	Bank of America NT&SA, San Francisco	155,000	168,000	-7.74
7	First National Bank, Boston	127,160	124,356	2.25
8	Chemical Bank, New York	102,000	110,130	-7.38
9	Irving Trust Co., New York	100,947	248,496	- 59.38
10	Bank of New England NA, Boston	79,825	88,064	-9.36
11	Connecticut Bank & Trust Co. NA, Hartford	76,989	81,990	-6.10
12	Chase Manhattan Bank NA, New York	76,371	77,391	-1.32
13	Connecticut National Bank, Hartford	74,472	79,773	-6.65
14	Southeast Bank NA, Miami	73,454	62,601	17.34
15	Valley National Bank, Phoenix, Ariz.	67,320	58,033	16.00
16	Harris Trust & Savings Bank, Chicago	62,765	74,445	- 15.69
17	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	56,611	66,060	- 14.30
18	First Wisconsin National Bank, Milwaukee	53,895	57,571	-6.39
19	California First Bank, San Francisco	51,350	91,863	- 44.10
20	Crestar Bank, Richmond	46,266	75,285	- 38.55
21	Shawmut Bank NA, Boston	45,778	29,012	57.79
22	State Street Bank & Trust Co., Boston	44,209	47,784	-7.48
23	Signet Bank/Maryland, Baltimore	43,834	56,800	- 22.83
24	Fidelity Bank, Philadelphia	43,490	6,590	559.94
25	First Florida Bank NA, Tampa	42,363	38,077	11.26
26	Sun Bank NA, Orlando, Fla.	40,449	71,213	- 43.20
27	Rainier National Bank, Seattle	38,792	42,987	-9.76
28	First National Bank of Maryland, Baltimore	38,243	39,534	-3.27
29	Peoples National Bank of Washington, Seattle	38,025	42,074	-9.62
30	Old National Bank of Washington, Spokane	37,974	12,590	201.62
31	Deposit Guaranty National Bank, Jackson, Miss.	37,615	39,776	-5.43
32	National State Bank, Elizabeth, N.J.	36,474	39,853	-8.48
33	First National Bank of Atlanta	36,022	21,534	67.28
34	Key Bank NA, Albany, N.Y.	34,149	46,501	- 26.56
35	Citibank NA, New York	34,000	53,000	- 35.85
36	First Bank Milwaukee NA	33,181	22,172	49.65
37	National Community Bank, Rutherford, N.J.	32,204	25,119	28.21
38	Midlantic National Bank/North, West Paterson, N.J.	32,002	33,697	-5.03
39	First Fidelity Bank NA, Newark, N.J.	31,711	61,568	- 48.49
40	United Jersey Bank, Hackensack, N.J.	31,581	28,701	10.03
41	Pittsburgh National Bank	31,445	62,395	- 49.60
42	Sovran Bank NA, Richmond	30,492	25,252	20.75
43	Sun Bank/Miami NA	30,427	29,108	4.53
44	Bank of Boston Connecticut, Waterbury	30,296	38,568	- 21.45
45	First Pennsylvania Bank NA, Philadelphia	29,946	30,821	-2.84
46	First National Bank, Chicago	29,636	27,085	9.42
47	American Security Bank NA, Washington, D.C.	29,494	.....	.....
48	MBank Houston NA	29,177	21,564	35.30
49	First Bank Minnesota NA, Virginia	28,000	.....	.....
50	Marine Midland Bank NA, Buffalo, N.Y.	27,398	25,347	8.09
51	United Bank of Denver NA	27,218	52,343	- 48.00
52	Manufacturers & Traders Trust Co., Buffalo, N.Y.	25,746	21,696	18.67
53	Seattle-First National Bank	25,593	34,418	- 25.64
54	Maryland National Bank, Baltimore	25,213	24,104	4.60
55	National Bank of Detroit	25,044	27,632	-9.37
56	Midlantic National Bank, Newark, N.J.	25,006	41,653	- 39.97
57	Riggs National Bank, Washington, D.C.	24,808	20,865	18.90
58	Bank of Hawaii, Honolulu	24,669	16,756	47.22
59	Bank of New York	24,586	40,595	- 39.44
60	AmeriTrust Co. NA, Cleveland	24,549	38,418	- 36.10
61	Boston Safe Deposit & Trust Co.	24,257	34,256	- 29.19
62	Barclays Bank of New York NA	24,135	18,769	28.59
63	National Westminster Bank USA, New York	22,835	32,848	- 30.48
64	European American Bank, New York	22,744	36,234	- 37.23
65	Arizona Bank, Phoenix	22,084	26,895	- 17.89
66	First Bank of North Dakota NA-Jamestown	22,000	.....	.....
67	City National Bank, Beverly Hills, Calif.	21,915	13,035	68.12
68	RepublicBank San Antonio NA, Tex.	21,730	1,209	1,697.35
69	First National Bank & Trust Co., Bismarck, N.D.	21,025	.....	.....
70	Bankers Trust Co., New York	20,258	19,848	2.07
71	Norwest Bank St. Paul NA, Minn.	20,249	14,900	35.90
72	Hibernia National Bank, New Orleans	20,062	20,065	-0.01
73	First National Bank, Branierd, Minn.	20,000	.....	.....
74	Continental Illinois Nat'l Bank & Trust Co., Chicago	19,564	29,261	- 33.14
75	Central Bank, San Francisco	19,501	14,426	35.18
76	Bank of New England-West NA, Springfield, Mass.	19,340	14,731	31.29
77	Republic National Bank, New York	18,574	8,942	107.72
78	South Carolina National Bank, Columbia	18,522	12,723	45.58
79	Central Bank of the South, Birmingham, Ala.	18,201	30,778	- 40.86
80	BancOhio National Bank, Columbus	18,068	26,516	- 31.86
81	American National Bank & Trust Co., Chicago	17,948	18,388	-2.39
82	Wells Fargo Bank NA, San Francisco	17,573	37,078	- 52.61
83	National Bank of Georgia, Atlanta	16,539	29,316	- 43.58
84	BayBank Middlesex, Burlington, Mass.	16,462	19,535	- 15.73
85	Equitable Bank NA, Baltimore	16,378	21,621	- 24.25
86	Union Trust Co., Stamford, Conn.	16,345	32,391	- 49.54
87	United States National Bank, Portland, Ore.	16,049	26,129	- 38.58
88	Wilmington Trust Co., Del.	16,046	11,299	42.01
89	First National Bank, Louisville, Ky.	15,937	19,312	- 17.48
90	Casco Northern Bank NA, Portland, Me.	15,569	16,017	-2.80
91	Trust Company Bank, Atlanta	15,214	29,966	- 49.23
92	NCNB National Bank of Florida NA, Tampa	15,005	2,947	409.16
93	Sunwest Bank of Albuquerque NA, N.M.	14,762	12,903	14.41
94	First RepublicBank Houston NA	14,550	.....	.....
95	Centerre Bank NA, St. Louis, Mo.	13,961	17,060	- 18.17
96	First Tennessee Bank NA, Memphis	13,544	12,007	12.80
97	First National, East Grand Forks, Minn.	13,500	.....	.....
98	National City Bank, Cleveland	13,096	22,706	- 42.32
99	Commercial Security Bank, Ogden, Utah	12,852	23,005	- 44.13
100	First Fidelity Bank NA/S. Jersey, Burlington Twp.	12,619	.....	.....
101	Citizens National Bank, Evansville, Ind.	12,398	9,037	37.19
102	First National Bank, Albuquerque, N.M.	12,396	8,685	42.73
103	Colorado National Bank, Denver	12,030	.....	.....
104	First Bank of North Dakota NA, Grand Forks	12,000	.....	.....
105	Indiana National Bank, Indianapolis	11,938	7,513	58.90
106	Puget Sound National Bank, Tacoma, Wash.	11,910	11,268	5.70
107	NCNB National Bank of North Carolina, Charlotte	11,833	7,587	55.96
108	First National Bank, Alexandria, Minn.	11,559	.....	.....
109	First National Bank, Cincinnati	11,538	19,835	- 41.83
110	Manufacturers National Bank, Detroit	11,280	17,026	- 33.75
111	Sun Bank of Tampa Bay, Tampa, Fla.	11,047	962	1,048.34
112	First National Bank, Mankato, Minn.	11,000	.....	.....
113	Fifth Third Bank, Cincinnati	10,990	17,706	- 37.93
114	First Security Bank of Utah NA, Ogden	10,434	10,060	3.72
115	Michigan National Bank, Farmington Hills	10,359	.....	.....
116	First Interstate Bank of Arizona NA, Phoenix	10,304	10,197	1.05
117	Inter-City Bank, Benton Harbor, Mich.	10,231	.....	.....
118	M&I Marshall & Ilsley Bank, Milwaukee, Wis.	10,181	9,975	2.07
119	First Bank of North Dakota NA-Minot	10,175	.....	.....
120	Society Bank NA, Dayton, Ohio	10,108	8,906	13.50
121	Mellon Bank NA, Pittsburgh	10,009	25,436	- 60.65
122	First National Bank, Lubbock, Tex.	9,873	8,922	10.66
123	Florida National Bank of Jacksonville	9,546	12,048	- 20.77
124	Central Fidelity Bank, Richmond	9,134	10,932	- 16.45
125	First National Bank, Rochester, Minn.	8,938	177	4,949.72
126	First Interstate Bank of Denver NA	8,824	6,504	35.67
127	First Interstate Bank of Oklahoma NA, Oklahoma City	8,558	.....	.....
128	First Security Bank of Idaho NA, Boise	8,546	8,494	61
129	Shawmut Worcester Cty Bk NA, Worcester, Mass.	8,540	23,915	- 64.29
130	Valley Bank of Nevada, Las Vegas	8,400	9,240	-9.09
131	MBank Dallas NA	8,365	12,511	- 33.14
132	BayBank Boston NA	8,356	7,730	8.10
133	Dominion Bank NA, Roanoke, Va.	8,321	3,821	117.77
134	First RepublicBank Dallas NA	8,251	4,884	68.94
135	Exchange National Bank, Chicago	8,149	6,440	26.54
136	Maine National Bank, Portland	8,107	15,240	- 46.80
137	Commonwealth National Bank, Harrisburg, Pa.	8,055	6,590	22.23
138	Merrill Trust Co., Bangor, Me.	8,051	6,164	30.61
139	United Bank & Trust Co., Hartford, Conn.	8,026	.....	.....
140	Associated Kellogg Bank, Green Bay, Wis.	7,830	308	2,442.21
141	Central Jersey Bank & Trust Co., Freehold Twp.	7,801	11,240	- 30.60
142	Morgan Guaranty Trust Co., New York	7,693	16,948	- 54.61
143	Southwest Bank, Vista, Calif.	7,555	9,403	- 19.65
144	Texas Commerce Bank-Austin NA	7,497	13,392	- 44.02
145	Whitney National Bank, New Orleans	7,435	4,843	53.52
146	Liberty National Bank & Trust Co., Louisville, Ky.	7,251	2,747	163.96
147	Union National Bank, Lowell, Mass.	7,243	7,700	-5.94
148	NCNB South Carolina, Columbia	7,193	11,000	- 34.61
149	Chase Lincoln First Bank NA, Rochester, N.Y.	6,903	7,994	- 13.65
150	SouthTrust Bank of Alabama NA, Birmingham	6,886	3,585	94.79
151	Texas Commerce Bank-San Angelo NA	6,782	7,615	- 10.94
152	National Bank of Commerce, Memphis	6,719	9,807	- 31.49
153	Citizens & Southern National Bank, Atlanta	6,680	8,622	- 22.52
154	Bank One Columbus NA, Ohio	6,583	6,459	1.92
155	Essexbank, Peabody, Mass.	6,544	6,588	- 67
156	Allied Bank of Texas, Houston	6,419	6,594	-2.65
157	First-Citizens Bank & Trust Co., Raleigh, N.C.	6,383	9,125	- 30.05
158	South Shore Bank, Quincy, Mass.	6,035	.....	.....
159	MBank El Paso NA, Tex.	5,826	3,720	56.61
160	Society Bank of Eastern Ohio NA, Canton	5,787	14,257	- 59.41
161	Sanwa Bank California, San Francisco	5,664	.....	.....
162	Frost National Bank, San Antonio, Tex.	5,600	3,900	43.59
163	NS&T Bank NA, Washington, D.C.	5,520	.....	.....
164	BayBank Norfolk County Trust Co., Dedham, Mass.	5,456	8,935	- 38.94
165	First Hawaiian Bank, Honolulu	5,423	6,643	- 18.37
166	First American National Bank of Knoxville, Tenn.	5,378	7,055	- 23.77
167	First Nat'l Bk of Central Jersey, Bridgewater Twp	5,322	7,840	- 32.12
168	First Interstate Bank of Washington NA, Seattle	5,232	7,426	- 29.54
169	Amarillo National Bank, Tex.	5,120	3,169	61.57
170	First City National Bank of Beaumont, Tex.	4,990	7,145	- 30.16
171	First National Bank & Trust Co., Tulsa, Okla.	4,974	6,325	- 21.36
172	First American National Bank, Nashville, Tenn.	4,920	8,990	- 45.27
173	NBD-Genesee Bank, Flint, Mich.	4,896	2,564	90.95
174	Third National Bank & Trust Co., Scranton, Pa.	4,792	4,755	78
175	Provident National Bank, Philadelphia	4,757	11,918	- 60.09
176	Manufacturers Hanover Bank (Delaware), Wilmington	4,722	22,278	- 78.80
177	Boulevard Bank NA, Chicago	4,706	2,474	90.22
178	Security National Bank, Sioux City, Iowa	4,655	4,226	10.15
179	AmSouth Bank NA, Birmingham, Ala.	4,618	6,238	- 25.97
180	Schenectady Trust Co., N.Y.	4,612	5,571	- 17.21
181	Equibank, Pittsburgh	4,543	3,138	44.77
182	Alaska Pacific Bank, Anchorage	4,480	6,468	- 30.74
183	Union National Bank, Wichita, Kan.	4,458	5,909	- 24.56
184	Sovran Bank/Maryland, Bethesda	4,390	2,676	64.05
185	Norwest Bank Nebraska NA, Omaha, Neb.	4,247	193	2,100.52
186	United Jersey Bank South NA, Cherry Hill	4,104	.....	.....
187	First RepublicBank Austin NA, Tex.	4,058	8,576	- 52.68
188	Cole Taylor Bank/Drovers, Chicago	4,043	5,737	- 29.53
189	Bank IV Wichita NA, Kan.	3,997	2,821	41.69
190	MBank Wichita Falls NA, Tex.	3,980	1,101	261.49
191	Old Kent Bank & Trust Co., Grand Rapids, Mich.	3,968	4,032	-1.59
192	Commerce Union Bank, Nashville, Tenn.	3,966	8,880	- 55.34
193	Summit Bank, Fort Wayne, Ind.	3,908	2,235	74.85
194	United Carolina Bank, Whiteville, N.C.	3,898	.....	.....
195	First City National Bank, Houston	3,876	7,833	- 50.52
196	First American Bank NA, Washington, D.C.	3,664	4,089	- 10.39
197	Shawmut Community Bank NA, Framingham, Mass.	3,584	1,061	237.78
198	First National Bank, Sioux Falls, S.D.	3,579	3,455	3.59
199	Society National Bank, Cleveland	3,542	2,339	51.43
200	First RepublicBank Harlingen NA, Tex.	3,525	.....	.....

Thrift correspondent balances are demand deposits due mutual and stock savings banks, building or savings and loan associations, homestead associations, cooperative banks, and credit unions.

Top Banks in Foreign Correspondent Balances

Banks with Demand Deposits Due Foreign Banks of $10 Million or More (Dollar Figures in Thousands)

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Rank 6/87		Demand Deposits Due Foreign Banks		Rank 6/30/86	Gain in Rank	Time/Savings Deposits Due Foreign Banks	
		6/30/87	6/30/86			6/30/87	6/30/86
1	**Citibank NA, New York**	1,636,000	2,073,316	1		18,000	14,258
2	**Chase Manhattan Bank NA, New York**	1,164,330	1,481,286	2		85,018	132,981
3	**Irving Trust Co., New York**	1,096,503	588,569	8	+5	14,863	16,463
4	**Manufacturers Hanover Trust Co., New York**	938,000	757,054	5	+1	64,000	40,214
5	**Bankers Trust Co., New York**	854,464	862,049	3		13,120	161,838
6	**Morgan Guaranty Trust Co., New York**	651,363	625,909	7	+1	98,944	162,994
7	**Chemical Bank, New York**	432,000	833,538	4		94,000	100,163
8	**First National Bank, Chicago**	366,089	198,854	12	+4	18,096	24,968
9	**Brown Brothers Harriman & Co., New York**	331,814	149,615	14	+5	22,635	39,199
10	**Philadelphia National Bank**	259,835	414,534	10		410	230
11	**Marine Midland Bank NA, Buffalo, N.Y.**	197,055	185,366	13	+2	86	333
12	**European American Bank, New York**	116,030	229,320	11		4,426	4,432
13	**Bank of America NT&SA, San Francisco (x)**	98,000	628,565	6		82,000	428,113
14	**First Interstate Bank of California, Los Angeles**	95,746	99,622	18	+4	18,208	18,592
15	**Citizens & Southern National Bank, Atlanta**	92,008	84,936	21	+6	3,036	4,362
16	**National Westminster Bank USA, New York**	84,133	109,023	16		29	33
17	**First National Bank, Boston (x)**	83,138	116,291	15		346	732
18	**Riggs National Bank, Washington, D.C.**	60,879	63,011	22	+4	2,722	7,310
19	**Bank of New York**	46,073	59,561	23	+4	0	0
20	**Harris Trust & Savings Bank, Chicago**	43,266	28,409	33	+ 13	82	139
21	**Northern Trust Co., Chicago**	42,231	47,976	25	+4	329	2,450
22	**State Street Bank & Trust Co., Boston**	38,453	54,642	24	+2	0	0
23	**IBJ Schroder Bank & Trust Co., New York**	38,248	35,531	26	+3	21,918	4,000
24	**Wells Fargo Bank NA, San Francisco**	37,886	94,433	19		54	174
25	**First RepublicBank Dallas NA**	37,167	23,125	36	+ 11	0	0
26	**Rainier National Bank, Seattle**	35,739	19,501	39	+ 13	21,462	1,500
27	**Republic National Bank, New York**	31,331	30,918	29	+2	853	0
28	**Bank of California NA, San Francisco (x)**	28,645	104,710	17		0	1,300
29	**Security Pacific National Bank, Los Angeles (x)**	27,351	88,924	20		0	3,500
30	**Union Bank, Los Angeles**	27,329	28,641	32	+2	0	0
31	**Seattle-First National Bank**	27,171	29,686	31		127	824
32	**Bank of Canton of California, San Francisco**	26,679	10,478	52	+ 20	264,000	143,397
33	**American Security Bank NA, Washington, D.C.**	24,847	23,274	35	+2	18,827	1,897
34	**Israel Discount Bank of New York**	23,250	33,379	28		475	368
35	**Mellon Bank NA, Pittsburgh (x)**	22,949	422,234	9		35,500	30,700
36	**National Bank of Detroit**	21,904	22,248	37	+1	0	0
37	**Continental Illinois National Bank & Trust Co., Chicago (x)**	21,846	35,120	27		4,681	11,032
38	**Texas Commerce Bank NA, Houston**	20,362	11,415	49	+ 11	0	0
39	**Chinese American Bank, New York**	20,286	19,772	38		0	0
40	**First National Bank, Minneapolis**	16,459	10,657	51	+ 11	0	0
41	**National Bank of Long Beach, Calif.**	15,156	......	..		197	.....
42	**Industrial Bank of Japan Trust Co., New York**	15,066	1,693	..		192,538	149,926
43	**Pittsburgh National Bank**	13,963	16,004	40		470	250
44	**First American Bank NA, Washington, D.C.**	13,422	7,160	59	+ 15	46,943	40,669
45	**First Wisconsin National Bank, Milwaukee**	12,594	13,086	43		0	0
46	**MBank Houston NA**	11,547	5,135	..		0	0
47	**Bank of Hawaii, Honolulu**	11,439	8,838	54	+7	1,000	550
48	**Southeast Bank NA, Miami**	11,400	5,539	..		0	0
49	**Capital Bank, Miami**	11,396	8,515	56	+7	386	0
50	**Extebank, New York**	11,132	......	...		0	.....
51	**Fidelity Bank, Philadelphia (x)**	11,078	30,566	30		0	0
52	**Shawmut Bank NA, Boston**	11,069	13,028	44		0	0
53	**Florida National Bank of Jacksonville**	10,160	1,235	..		698	100
54	**Trust Company Bank, Atlanta**	10,015	3,413	..		0	0

Demand deposits due to foreign banks are foreign correspondent balances. **Foreign correspondent balances** are the sum of domestically-booked demand deposits due other banks in foreign countries; domestically-booked demand deposits due foreign government and official institutions; and clearing balances in the bank's domestic Edge bank subsidiaries. **Clearing balances** are the sum of transaction accounts due foreign government and official institutions; transaction accounts due commercial banks in the U.S.; and transaction accounts due banks in foreign countries. **Time and savings deposits due to foreign banks** are nontransaction accounts due foreign banks, as defined above. **(e)**— Edge bank data for 6/30/85 were not available. **(x)**— The data for 6/30/87 do not include the clearing balances of the bank's Edge bank subsidiary. Therefore, the 6/30/87 and 6/30/86 data for this bank are not comparable.

Correspondent Bank Survey Sources and Definitions

The data for the *American Banker* survey of correspondent banking are taken from a questionnaire on information from the federal regulatory reports of condition, or "call reports," of June 30.

Specifically, the data requested were from schedule RC-E, Part 1, of the call report. This schedule asks for a breakdown of deposits for a bank and its domestic subsidiaries. In addition, banks with Edge banking subsidiaries were asked to report selected deposit data for their domestic Edge banking offices from Federal Reserve form FR2886b. That form is the Edge bank call report.

Total correspondent balances are the sum of domestic correspondent balances and foreign correspondent balances.

Domestic correspondent balances are the sum of domestically booked demand deposits due to other depository institutions in the United States, and domestically booked demand deposits due to other U.S. commercial banks in the United States.

Demand deposits due to other depository institutions are also called thrift correspondent balances. Thrift institutions are mutual and stock savings banks, building or savings and loan associations, homestead associations, cooperative banks, and credit unions.

Foreign correspondent balances are the sum of domestically booked demand deposits due other banks in foreign countries, domestically booked demand deposits due foreign government and official institutions, and clearing balances in the bank's domestic Edge bank subsidiaries.

Clearing balances are the sum of an Edge bank's transaction accounts due foreign government and official institutions, transaction accounts due commercial banks in the United States, and transaction accounts due banks in foreign countries.

Edge banks are international banking and financial vehicles through which U.S. banking organizations can offer international services and through which they may compete with similar foreign-owned institutions in the United States and abroad.

An Edge bank is limited by statute to engage only in activities in the United States that are "incidental" to international and foreign business. Many of the major correspondent banks that are headquartered outside New York use their Edge bank subsidiaries to provide correspondent services to their foreign respondent banks.

For banks failing to respond to the survey, call report data — provided by ADP Data Services Division New York — were used. However, Edge bank data for these banks were not available this year. (In previous years, Federal Reserve data were used for banks failing to report.)

The lack of Edge bank data had a sizable effect on the foreign correspondent balances and total correspondent balances of the following seven banks: Bank of America NT& SA, San Francisco; Bank of California NA, San Francisco; Continental Illinois National Bank & Trust Co., Chicago; Fidelity Bank NA, Philadelphia; First National Bank, Boston; Mellon Bank NA, Pittsburgh; and Security Pacific National Bank, Los Angeles.

Although fees are becoming increasingly important in the correspondent banking sector, the demand deposit figures still provide a gauge for measuring the scale of each bank's correspondent business. But, these balances are one-day figures that are subject to sizable daily volatility, and they can shift radically from quarter to quarter.

Top 200 Banks in Interbank Deposits

Ranked by Size of Total Deposits Due to All Banks (Dollar Figures in Thousands)

Compiled by American Banker Copyright 1987

Rank 6/87		Dep. Due To Banks 6/30/87	& of Total Deposits	Rank 6/30/86	Gain In Rank
1	Chase Manhattan Bank NA, New York	2,997,089	4.8	2	+1
2	Manufacturers Hanover Trust Co., New York	2,567,000	5.6	1	
3	Citibank NA, New York	2,318,000	2.2	3	
4	Bankers Trust Co., New York	2,281,361	7.4	4	
5	Irving Trust Co., New York	1,841,929	14.2	8	+3
6	Morgan Guaranty Trust Co., New York	1,562,848	3.3	9	+3
7	First RepublicBank Dallas NA	1,446,829	15.0	16	+9
8	MBank Dallas NA	1,314,975	24.6	21	+ 13
9	Chemical Bank, New York	1,227,000	3.1	5	
10	First National Bank, Chicago	1,202,932	4.2	12	+2
11	Philadelphia National Bank	1,045,719	16.8	11	
12	Bank of America NT&SA, San Francisco (x)	936,000	1.3	6	
13	First Interstate Bank of California, Los Angeles	905,637	5.2	13	
14	Security Pacific National Bank, Los Angeles (x)	853,744	2.5	14	
15	Continental Illinois Nat'l B&T Co., Chicago (x)	840,200	4.5	7	
16	First City National Bank, Houston	814,652	29.1	15	
17	Union Bank, Los Angeles	710,054	9.6	20	+3
18	Mellon Bank NA, Pittsburgh (x)	662,149	3.9	10	
19	Texas American Bank/Fort Worth NA	632,270	33.5	29	+ 10
20	National Bank of Detroit	627,711	6.1	31	+ 11
21	MBank Houston NA	625,003	18.0	17	
22	First National Bank St. Paul, Minn.	575,927	19.0	28	+6
23	First National Bank, Boston (x)	534,969	3.5	18	
24	Harris Trust & Savings Bank, Chicago	521,760	8.9	23	
25	United Bank of Denver NA	514,701	25.1	32	+7
26	Citibank (Nevada) NA, Las Vegas	504,478	95.1	...	
27	Connecticut National Bank, Hartford	455,998	7.5	37	+ 10
28	Citibank (South Dakota) NA, Sioux Falls	440,026	26.0	22	
29	First Tennessee Bank NA, Memphis	423,866	9.9	54	+ 25
30	Norwest Bank Minneapolis NA	403,249	10.7	24	
31	Bank of New England NA, Boston	402,492	5.2	47	+ 16
32	Brown Brothers Harriman & Co., New York	381,138	40.2	66	+ 34
33	Pittsburgh National Bank	361,018	4.9	27	
34	Texas Commerce Bank NA, Houston	360,784	5.6	38	+4
35	First Wisconsin National Bank, Milwaukee	358,034	12.4	35	
36	Wells Fargo Bank NA, San Francisco	353,095	1.1	25	
37	Centerre Bank NA, St. Louis, Mo.	339,284	13.1	36	
38	Northern Trust Co., Chicago	337,995	7.7	34	
39	Bank of New York	336,674	2.1	52	+ 13
40	First National Bank of Atlanta	308,696	6.1	48	+8
41	Marine Midland Bank NA, Buffalo, N.Y.	306,537	1.8	44	+3
42	Industrial Bank of Japan Trust Co., New York	306,309	9.8	40	
43	Alaska Mutual Bank, Anchorage	304,033	51.2	97	+ 54
44	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	303,701	11.5	43	
45	Fidelity Bank, Philadelphia (x)	295,412	4.2	126	+ 81
46	NBD Delaware Bank, Wilmington	291,740	92.2	67	+ 21
47	Bank of Canton of California, San Francisco	290,717	35.6	87	+ 40
48	Allied Bank of Texas, Houston	289,928	13.8	26	
49	American National Bank & Trust Co., Chicago	287,801	10.1	50	+1
50	Community Bank, Huntington Park, Calif.	276,777	37.9	55	+5
51	First Pennsylvania Bank NA, Philadelphia	275,107	7.1	56	+5
52	Indiana National Bank, Indianapolis	274,957	9.4	42	
53	Mellon Bank (East), Philadelphia	266,048	8.2	78	+ 25
54	Bank of Tokyo Trust Co., New York	262,539	5.3	169	+115
55	Central Bank of Denver	259,472	27.1	71	+ 16
56	Citizens & Southern National Bank, Atlanta	257,341	3.4	68	+ 12
57	National Westminster Bank USA, New York	246,992	2.7	82	+ 25
58	Sovran Bank NA, Richmond	245,604	2.5	72	+ 14
59	United Bank Alaska, Anchorage	241,556	62.7	119	+ 60
60	Boatmen's National Bank, St. Louis, Mo.	238,689	8.4	45	
61	Provident National Bank, Philadelphia	234,989	5.4	49	
62	Connecticut Bank & Trust Co. NA, Hartford	230,535	3.3	62	
63	First City Bank, Dallas	229,440	38.3	58	
64	Canadian Imp. Bk of Comm. (Calif), Los Angeles	225,471	97.5	59	
65	Shawmut Bank NA, Boston	220,557	5.7	61	
66	Mercantile Bank NA, St. Louis, Mo.	218,734	6.8	19	
67	First National Bank of Commerce, New Orleans	213,851	13.7	65	
68	Commerce Bank of Kansas City NA, Mo.	211,193	19.4	86	+ 18
69	Rainier National Bank, Seattle	208,208	3.4	98	+ 29
70	United Missouri Bank of Kansas City NA	206,534	15.9	57	
71	Boatmen's First National Bank, Kansas City, Mo.	204,569	17.5	77	+6
72	Valley National Bank, Phoenix, Ariz.	204,030	2.3	76	+4
73	First Interstate Bank of Denver NA	200,929	14.3	89	+ 16
74	Savings Banks Trust Co., New York	200,632	96.4	84	+10
75	Beneficial National Bank, Wilmington, Del.	200,000	37.5	...	
76	First National Bank, Minneapolis	195,249	3.3	39	
77	Marine Bank NA, Milwaukee, Wis.	194,201	16.0	73	
78	M&I Marshall & Ilsley Bank, Milwaukee, Wis.	192,201	11.8	69	
79	Bank South NA, Atlanta	190,679	8.4	92	+ 13
80	AmSouth Bank NA, Birmingham, Ala.	189,764	4.2	85	+5
81	Liberty National Bank & Trust Co., Louisville, Ky.	189,502	12.6	63	
82	Wachovia B & T Co. NA, Winston-Salem, N.C.	186,121	2.1	80	
83	Southeast Bank NA, Miami	185,480	2.0	51	
84	European American Bank, New York	184,931	4.0	30	
85	Boston Safe Deposit & Trust Co.	182,407	2.0	94	+9
86	NCNB National Bank of North Carolina, Charlotte	182,298	2.0	108	+ 22
87	Maryland National Bank, Baltimore	181,489	3.0	60	
88	Mitsubishi Bank of California, Los Angeles	181,183	13.6	263	+175
89	State Street Bank & Trust Co., Boston	179,456	4.0	70	
90	First RepublicBank Houston NA	177,407	9.9	155	+ 65
91	NCNB National Bank of Florida NA, Tampa	174,607	2.6	91	
92	Comerica-Midwest NA, Toledo, Ohio	172,000	99.8	...	
93	IBJ Schroder Bank & Trust Co., New York	169,115	11.6	110	+ 17
94	Crestar Bank, Richmond	168,343	2.8	64	
95	AmeriTrust Co. NA, Cleveland	158,875	2.3	103	+8
96	Colonial National Bank USA, Wilmington, Del.	157,218	15.6	79	
97	Bank One Indianapolis NA	154,913	5.5	53	
98	Trust Company Bank, Atlanta	153,736	4.6	81	
99	First Fidelity Bank NA, Newark, N.J.	150,996	2.2	136	+ 37
100	SouthTrust Bank of Alabama NA, Birmingham	149,809	7.5	95	
101	First National Bank, Louisville, Ky.	141,976	5.3	111	+ 10
102	Bank of Oklahoma NA, Tulsa	140,396	9.2	105	+3
103	Allied Bank of Dallas	138,754	21.6	74	
104	MBank Corpus Christi NA, Tex.	131,944	22.5	88	
105	Chicago-Toyko Bank	131,635	35.0	142	+ 37
106	First Florida Bank NA, Tampa	125,649	3.2	90	
107	Seattle-First National Bank	125,508	1.7	104	
108	Deposit Guaranty National Bank, Jackson, Miss.	121,160	4.7	131	+ 23
109	Merchants National Bank & Trust Co., Indianapolis	119,826	6.5	128	+ 19
110	Tokai Bank of California, Los Angeles	119,351	17.3	106	
111	Sun Bank NA, Orlando, Fla.	118,022	4.3	83	
112	American Security Bsnk NA, Washington, D.C.	117,861	3.3	201	+ 89
113	Colorado National Bank, Denver	116,487	13.1	122	+9
114	Central Bank of the South, Birmingham, Ala.	111,301	4.8	132	+ 18
115	Riggs National Bank, Washington, D.C.	111,000	2.5	100	
116	Midlantic National Bank/North, West Paterson, N.J.	110,444	4.7	112	
117	Texas Commerce Bank-Dallas NA	107,630	7.9	102	
118	Comerica Bank-Detroit	107,467	1.9	109	
119	Texas Independent Bank, Irving, Tex.	106,642	95.9	101	
120	Merchants Bank, Kansas City, Mo.	105,750	8.2	235	+115
121	Banco de Ponce, P.R.	105,543	4.5	134	+ 13
122	BayBank Middlesex, Burlington, Mass.	105,511	3.7	332	+210
123	Bank IV Wichita NA, Kan.	104,960	9.5	113	
124	Barnett Bank of South Florida NA, Miami	104,370	2.5	215	+ 91
125	Security Bank of Kansas City, Kan.	104,359	20.9	158	+ 33
126	First American Bank NA, Washington, D.C.	102,870	8.0	153	+ 27
127	RepublicBank San Antonio NA, Tex.	102,708	13.7	241	+114
128	National City Bank, Cleveland	101,670	2.5	129	+1
129	Bank of New York (Delaware), Wilmington	100,000	8.8	...	
130	First National Bank, Cincinnati	99,316	5.2	138	+8
131	Dominion Bank NA, Roanoke, Va.	99,256	3.9	99	
132	Hibernia National Bank, New Orleans	96,022	2.6	145	+ 13
133	First National Bank of Maryland, Baltimore	95,411	2.5	114	
134	Frost National Bank, San Antonio, Tex.	94,636	6.5	156	+ 22
135	Merchants National Bank, Cedar Rapids, Iowa	94,471	18.1	117	
136	Liberty National Bank & Trust Co., Oklahoma City	92,981	5.6	115	
137	South Carolina National Bank, Columbia	92,521	2.8	146	+9
138	FirsTier Bank NA, Lincoln, Neb.	91,239	11.1	162	+ 24
139	Metro North State Bank, Kansas City, Mo.	91,132	25.4	270	+131
140	Republic National Bank, New York	89,215	0.8	231	+ 91
141	Davenport Bank & Trust Co., Iowa	87,750	10.1	207	+ 66
142	Barnett Bank of Tampa NA, Fla.	86,549	7.6	148	+6
143	First Commercial Bank NA, Little Rock, Ark.	86,267	11.4	166	+ 23
144	First Interstate Bank of Alaska, Anchorage	85,621	25.5	...	
145	Third National Bank, Nashville, Tenn.	84,619	3.9	125	
146	First American National Bank, Nashville, Tenn.	84,158	3.9	217	+ 71
147	Trustmark National Bank, Jackson, Miss.	83,876	4.3	266	+119
148	MBank Fort Worth NA, Tex.	83,404	11.2	124	
149	LaSalle National Bank, Chicago	82,605	7.7	171	+ 22
150	First Interstate Bank, Albuquerque, N.M.	81,749	16.9	...	
151	National Bank of Commerce T&S Assn., Lincoln, Neb.	80,678	19.5	182	+ 31
152	FirsTier Bank NA, Omaha, Neb.	79,226	9.0	157	+5
153	First City National Bank Austin, Tex.	78,169	11.2	137	
154	First National Bank, Omaha, Neb.	77,223	11.1	161	+7
155	American National Bank & Trust Co., St. Paul, Minn.	76,592	18.3	168	+ 13
156	Marquette Bank Minneapolis NA	76,273	7.3	172	+ 16
157	Fifth Third Bank, Cincinnati	76,166	3.7	173	+ 16
158	Barnett Bank of Jacksonville NA, Fla.	75,379	6.3	127	
159	First City Bank, Sioux Falls, S.D.	75,144	30.2	262	+103
160	Zions First National Bank, Salt Lake City, Utah	72,878	3.4	167	+7
161	First Interstate Bank of Oklahoma NA, Oklahoma City	72,092	9.0	...	
162	Exchange National Bank, Chicago	71,539	5.1	204	+ 42
163	Shawmut Worcester County Bank NA, Mass.	70,864	6.7	175	+ 12
164	Equitable Bank NA, Baltimore	70,421	2.3	120	
165	National Bank of Commerce, Memphis	69,756	6.9	174	+9
166	Norwest Bank Des Moines NA, Iowa	69,090	7.4	183	+ 17
167	First Bank Milwaukee NA	68,203	8.9	177	+ 10
168	First RepublicBank Austin NA, Tex.	67,890	5.6	118	
169	Meridian Bank, Reading, Pa.	67,444	1.3	222	+ 53
170	National Community Bank, Rutherford, N.J.	67,222	2.6	163	
171	United States National Bank, Portland, Ore.	66,123	1.2	140	
172	Bank of California NA, San Francisco (x)	65,893	2.1	96	
173	BayBank Boston NA	65,818	21.9	121	
174	Bank One Columbus NA, Ohio	64,881	2.9	46	
175	First Los Angeles Bank	64,662	10.1	247	+ 72
176	Peoples National Bank of Washington, Seattle	64,331	3.4	143	
177	Centerre Bank of Kansas City NA, Mo.	64,100	11.9	164	
178	First Interstate Bank of Des Moines NA, Iowa	63,040	19.5	216	+ 38
179	First State Bank, Abilene, Tex.	62,232	21.9	107	
180	First Alabama Bank, Montgomery	61,080	1.8	219	+ 39
181	First National Bank, Lubbock, Tex.	60,882	13.5	165	
182	Worthen Bank & Trust Co. NA, Little Rock, Ark.	60,524	10.3	194	+ 12
183	Old National Bank of Washington, Spokane	60,388	4.0	282	+ 99
184	NBC Bank-San Antonio NA, Tex.	60,170	5.4	149	
185	Atlantic Bank, New York	59,675	8.4	176	
186	First National Bank & Trust Co., Tulsa, Okla.	58,444	7.1	187	+1
187	First Union National Bank of Florida, Jacksonville	57,892	1.1	279	+ 92
188	California First Bank, San Francisco	56,020	1.1	130	
189	Home National Bank, Milford, Mass.	55,856	14.8	368	+179
190	Sun Bank/Miami NA	55,340	3.5	212	+ 22
191	Capital Bank & Trust Co., Baton Rouge, La.	54,593	15.2	147	
192	First RepublicBank Fort Worth NA, Tex.	54,144	6.6	141	
193	Arizona Bank, Phoenix	54,097	1.4	181	
194	National State Bank, Elizabeth, N.J.	52,549	3.3	196	+2
195	First Security Nat'l Bank & Trust Co., Lexington, Ky.	51,917	6.2	205	+ 10
196	Signet Bank/Maryland, Baltimore	51,894	2.3	159	
197	Midlantic National Bank, Newark, N.J.	51,527	1.5	150	
198	Norwest Bank Nebraska NA, Omaha, Neb.	51,432	4.8	139	
199	MBank El Paso NA, Tex.	51,219	4.1	170	
200	First National Bank, Albuquerque, N.M.	51,147	5.7	233	+ 33

(x)—6/30/87 data excludes clearing balances of the Edge bank subsidiary.

Thrift Deposits at Commercial Banks Down by 9% from 1986

➧→ Continued from Page 1

in this sector of the correspondent banking market.

These are some of the findings of the *American Banker's* 25th annual survey of correspondent banking published today. The tables begin on page 23.

The survey lists the top U.S. commercial banks in total correspondent balances, domestic correspondent balances, thrift correspondent balances, foreign correspondent balances, and total interbank balances.

Thrift correspondent balances — or demand deposits placed by thrifts at U.S. commercial banks — totaled $5.1 billion on June 30, and accounted for 11.1% of all correspondent balances held by banks. A year earlier, thrift correspondent balances were $5.6 billion, and accounted for 12% of the total.

These figures are for banks with $10 million in total correspondent balances. There were 394 such banks on June 30, and 378 banks a year earlier.

Need for Correspondent Services Soar

Although balances have declined, the thrifts' demand for basic correspondent services — as measured by the growth in checking deposits at thrifts — continued to soar. According to Federal Reserve Board data, checking deposits at thrifts rose 24.4% for the year that ended June 30, to $78.4 billion, after rising 30.1% during the comparable period in 1986.

Most of these checks are cleared by a thrift's correspondent. As the volume of checks at thrifts grows, bigger correspondent balances or higher fees are required to compensate the correspondent for its clearing services.

As previously mentioned, the main reason balances have declined — despite an increase in demand for correspondent services — is the rapid movement from balances to fees by thrifts.

A large correspondent bank in the Northeast stated that only 25% of its thrift customers now pay for their correspondent services by maintaining a specified balance. The remaining 75% maintain minimal balances and pay fees for the bulk of their correspondent services.

The movement to fees is attributable in part to the pressure regulators placed on the thrift industry to raise the capital-to-assets ratio, according to Jonathan Gray, a savings and loan analyst for Sanford C. Bernstein & Co., an investment management firm in New York.

One way to boost the ratio is to limit the growth of assets. "Compensating balances bloat a thrift's balance sheet," he said. "Fees — an expense item on the income statement — do not and are, therefore, preferable."

Limit Growth of Assets

Dennis Jacobe, a senior vice president and director of policy research at the U.S. League for Savings Institutions, Chicago, agrees that the tighter net worth requirements are the main reason for thrifts' preferences for fees. "In addition, liquidity is also a factor," he said. "A thrift does not want to place large deposits with its correspondent bank that cannot be pulled quickly."

Another factor in the deposit decline is the increase in competition banks face from the regional Federal Home Loan banks. For example, at the Federal Home Loan Bank of New York, over the 12-month period that ended June 30, the number of out-clearing checks (checks accepted by thrifts from their customers and deposited with a regional Federal Home Loan bank for clearing) totaled 32.8 million, up 15.5% from 28.4 million checks cleared over the comparable period a year earlier. And the number of New York and New Jersey institutions using the out-clearing service totaled 44 at midyear 1987, up from 39 users the year before.

At the Federal Home Loan Bank of San Francisco, the growth in out-clearing checks was substantially higher. The San Francisco bank cleared 44.5 million of these checks over the year that ended June 30, up from 32.8 million checks, or a 35.7% increase, cleared over the comparable period a year earlier. Currently 80 institutions in the San Francisco bank's region — which includes Arizona, California, and Nevada — use the out-clearing service.

Other Survey Findings

- There were 394 banks in the United States with total correspondent balances of $10 million or more on June 30. These deposits totaled $45.8 million, down 1.7% from $46.7 billion for 378 banks a year earlier.
- The 394 banks had domestic commercial bank correspondent balances of $31 billion, up 3.7% from $29.9 billion the year before. Domestic commercial bank balances accounted for 67.7% of total correspondent balances, at midyear 1987, compared with 64% a year earlier.

The gain in these balances is attributable in part to the decline in interest rates over the period. The bulk of domestic commercial bank correspondent services are paid for by compensating demand balances maintained by respondent banks with their correspondent bank.

A decline in interest rates lowers the value of these balances. Other things remaining equal, higher balances will be needed by respondents to pay for their correspondent services.

Correspondent banks generally use the 90-day Treasury bill rate to value correspondent balances. The average 90-day Treasury bill for the year that ended June 30 fell by 124 basis points from the year before.

- For the second year in a row, the top bank in total correspondent balances is the Chase Manhattan Bank, New York, with $2.86 billion in these deposits, down 14% from $3.33 billion a year earlier. Total correspondent balances include demand deposits due all banks — both domestic and foreign — and U.S. thrift institutions.
- In addition, Chase was the top bank in domestic correspondent balances. Chase had $1.69 billion in domestic correspondent balances, down 8% from $1.85 billion a year earlier, when it ranked second. Domestic correspondent balances are demand deposits due U.S. banks and thrifts.

Chase surpassed Manufacturers Hanover Trust Co., New York, in domestic correspondent balances. Manufacturers Hanover ranked second, with $1.31 billion, down 39% from $2.14 billion a year earlier.

- However, for the second year in a row, Manufacturers ranked as the top bank in thrift correspondent balances with $250 million on June 30, down 24% from $329 million a year earlier.
- Citibank, New York, is the top bank in foreign correspondent balances with $1.64 billion in these deposits on June 30, down 21% from $2.07 billion a year earlier. Foreign correspondent balances are demand deposits due foreign banks. ■

LEGAL ADVERTISING

Limited Partnership

RS PARTNERS, 30 Rockefeller Plaza, NYC. Substance of Certificate of Limited Partnership filed in NY Co. Clks Office Nov. 6, 1987. Business: Acquire, develop, operate, hold and dispose of an interest in a partnership, corporation, joint venture or real estate investment trust; an interest in a mortgage, bond, or other evidence of indebtedness; an interest in land, buildings or other real property. General Partner (GP): L.G. Schafran & Partners, L.P., 30 Rockefeller Plz., NYC. Limited Partner (LP) & Contribution: The Rockefeller Foundation, 1133 Avenue of Americas, NYC, $20,000,000. Term: Until Dec. 31, 1997 unless sooner terminated upon the following: (a) LP and GP consent thereto in writing; (b) disposition of all property; (c) death, dissolution, voluntary retirement or adjudication of incompetency of GP unless LP continues business; (d) L.G. Schafran, individually, ceases to be general partner of GP and LP elects to dissolve; or (e) if GP (i) adjudicated bankrupt, (ii) has receiver appointed and appointment remains in effect 30 days, (iii) makes assigment for benefit of creditors, (iv) files petition in bankruptcy or for arrangement with creditors, or (v) admits by pleading the material allegations of bankruptcy petition or similar pleading filed against it, unless LP continues business. No additional contributions agreed to be made. No time agreed upon for the return of contributions. The share of the net profits and other compensation by way of income which LP shall receive is equal to (i) interest and other yields earned on bank deposits or investments in short-term obligations to extent such deposits and investments made with funds contributed by LP which have not been otherwise invested at any time, and (ii) a percentage of net profits from each investment determined by annual rate of return upon the investment. To extent that annual return is 9% or less, LP percentage of net profits is 99%; to extent that return is more than 9% but less than 13%, LP percentage thereof is 79%; to extent that return is more than 13% but less than 20%, LP percentage thereof is 69%; and to extent return is more than 20%, LP percentage thereof is 59%. LP cannot substitute an assignee as contributor in its place. Additional LPs may be admitted only with consent of all partners. No priority among LPs. Upon the death, voluntary retirement, adjudication of bankruptcy or insanity of a GP, LP may continue the business and designate a substitute GP. LP may not demand or receive property other than cash for his contribution.

Auction Notices

B. SPERBER DCA LIC# 794803 &/OR S. SPERBER DCA LIC# 769437 Sell, Dec. 1, 1987 9:45 A.M. 435 W. 23rd St NYC 1979 Mercedes Benz 2 Dr Convt 10704212004463 Re: TTSG, Inc.: 10:30 A.M. 111 Varick St NYC 1978 BMW 2 Dr Sdn 5437662 Re: Innovative Graphics Intl Ltd.: 11:00 A.M. 76 11th Ave NYC 1981 Chevrolet 4 Dr Sdn 1G1AB689XBY234776 Re: Greenbrook AMC Jeep, Inc.: 11:15 A.M. 65 W. 56th St NYC 1987 Chevrolet 4 Dr Sdn 1G1LT511XHE102115 Re: M. & G. Blitch: 11:30 A.M. 252 W. 40th St NYC 1985 Nissan 2 Dr Sdn JN1PB12S3FU629320 Re: D. Harleston: 12:15 P.M. 810 7th Ave NYC 1979 Chevrolet 4 Dr Sdn 1N69G9S320269 Re: D. Brown: 12:45 P.M. 555 W. 57th St NYC 1986 Ford Subn 1FMCU14T7GUC25350 Re: P. Ksiezopolski: I. Belenson & Co., Inc. Published Nov. 16 & 24, 1987.

LEGAL ADVERTISING

Continued Use Partnership

CERTIFICATE OF CONTINUED USE OF PARTNERSHIP NAME OF HAINES LUNDBERG WAEHLER PURSUANT TO ARTICLE 7 OF THE PARTNERSHIP LAW OF NEW YORK. WHEREAS, the business firm Haines Lundberg Waehler, a partnership which has transacted business in the County of New York, State of New York, continues to be conducted by certain of the partners therein, and WHEREAS, the business heretofore conducted by the firm is to be conducted hereafter by the undersigned in the name of Haines Lundberg Waehler at its address at 2 Park Avenue, New York 10016. NOW, THEREFORE, the undersigned do make, sign and acknowledge this certificate and declare that the persons intending to deal under the names of Haines Lundberg Waehler with their respective places of residence, are as follows: Martin D. Raab, 9 Willow Place, Great Neck, N.Y. 11021; Michael Maas, 1155 Park Avenue, New York, N.Y. 10028; Robert A. Djerejian, 37 Dewitt Avenue, Bronxville, N.Y. 10708; Theodore S. Hammer, 277 Lakeview Avenue, Ringwood, New Jersey 07456; Leevi Kiil, 19 John Dow Avenue, Waldwick, New Jersey 07463; Edwin A. Dirkes, 2953 Meadowcrest Drive, Yorktown Heights, N.Y. 10598; Seymour L. Fish, 17 Cranford Road, Plainview, N.Y. 11803; Alan Kaplan, 17 Winterset Road, Greenwich, Conn. 06830; Charles P. Lazarou, Jr., 10 Gateway Road, #22N, Yonkers, N.Y. 10703; Stuart K. Pertz, 125 Berkeley Place, Brooklyn, N.Y. 11217. IN WITNESS WHEREOF, the undersigned have hereunto set their hands this 28th day of October, 1987. The above Certificate, duly signed and acknowledged, was filed in the New York County Clerk's office October 30, 1987.

Limited Partnership

262 REALTY ASSOCIATES, 180 Central Park South, NYC. Substance of Certificate of Limited Partnership filed in New York County Clerk's Office November 18, 1987. Business: Own and operate real property. General Partner: Joseph Speranza, 418 Main St, Ft Lee, NJ. Limited Partner, Contribution and Share of Profits: KMA Realty, Ltd, 180 Central Park South, NYC, $10., 1%. Partnership to continue until Dec 31, 2035 unless sooner terminated. No additional contributions to be made. Contributions returned upon termination. No LP shall assign their interest without consent of GP. Additional LPs may be admitted. No priority among LPs as to contribution or as to distributions of cash. Upon death, retirement or insanity of GP, partners shall terminate unless business is continued as provided in agreement. No LP shall demand property other than cash in return for his contribution.

Dear Reader, How Are We Doing?

The *American Banker* wants to make sure our annual survey of correspondent banking meets your information needs. So would you spend a moment to give us some feedback? Please clip out this questionnaire and return to: William Zimmerman, Editor, American Banker, One State Street Plaza, New York, N.Y. 10004 (212) 943-5712.

(1.) How would you **change** the survey to make it more useful? What would you add?

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(2.) What did you like **best** about the survey?

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(3.) What did you like **least** about the survey?

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(4.) How do you use the survey in your work?

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Name (optional)____________________

Title____________________

Company____________________

Address____________________

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Phone____________________

Shareholders Approve United Jersey Merger

PRINCETON, N.J. — Shareholders of United Jersey Banks and First Valley Corp., Bethlehem, Pa., have approved the merger of the two companies.

Under the agreement, each share of First Valley common stock will exchange for 1.45 shares of United Jersey Banks common stock. The merger is expected to be completed during the first quarter of 1988 after required regulatory approvals are received.

With this acquisition, United Jersey will have over $9.7 billion in assets with nearly 250 offices in 22 counties in New Jersey and Pennsylvania. ■